

HOUSE CS FOR CS FOR SENATE BILL NO. 220(ENE)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE HOUSE SPECIAL COMMITTEE ON ENERGY

Offered: 4/12/10

Referred: Finance

Sponsor(s): SENATE RESOURCES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to energy efficiency, energy conservation, and alternative energy, to an
2 emerging energy technology fund, to the lease of state land to a public electric utility, to
3 an exemption from taxation by a municipality of certain residential renewable energy
4 systems, to the Alaska heating assistance program, to state energy use data, to the
5 Southeast energy fund, to the alternative energy revolving loan fund, to nuclear energy
6 production and facilities, to the definition of 'power project' or 'project' as it relates to
7 rural and statewide energy programs and the Alaska Energy Authority, and to the
8 definition of 'alternative energy system'; establishing an Alaska energy efficiency
9 revolving loan fund; directing the Department of Transportation and Public Facilities to
10 prepare a report on the feasibility of using compressed natural gas to power vehicles in
11 the state, including vehicles owned, operated, or paid for in whole or in part by the state,
12 and including in that study, if warranted, a pilot program proposal for powering some

1 vehicles owned, operated, or paid for in whole or in part by the state with compressed
 2 natural gas; authorizing and relating to the issuance of bonds by the Alaska Housing
 3 Finance Corporation; relating to a report regarding a municipal energy improvements
 4 financing program and to an energy report by the Office of the Governor; and
 5 providing for an effective date."

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

7 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
 8 to read:

9 SHORT TITLE. This Act may be known as the Alaska Sustainable Energy Act.

10 * **Sec. 2.** AS 14.08.101 is amended to read:

11 **Sec. 14.08.101. Powers.** A regional school board may

- 12 (1) sue and be sued;
- 13 (2) contract with the department, the Bureau of Indian Affairs, or any
 14 other school district, agency, or regional board for the provision of services, facilities,
 15 supplies, or utilities;
- 16 (3) determine its own fiscal procedures, including but not limited to
 17 policies and procedures for the purchase of supplies and equipment; the regional
 18 school boards are exempt from AS 37.05 (Fiscal Procedures Act) and AS 36.30 (State
 19 Procurement Code);
- 20 (4) appoint, compensate, and otherwise control all school employees in
 21 accordance with this title; these employees are not subject to AS 39.25 (State
 22 Personnel Act);
- 23 (5) adopt regulations governing organization, policies, and procedures
 24 for the operation of the schools;
- 25 (6) establish, maintain, operate, discontinue, and combine schools
 26 subject to the approval of the commissioner;
- 27 (7) recommend to the department projects for construction,
 28 rehabilitation, and improvement of schools and education-related facilities as specified
 29 in AS 14.11.011(b), and plan, design, and construct the project when the responsibility

1 for it is assumed under AS 14.11.020;

2 (8) by resolution adopted by a majority of all the members of the board
3 and provided to the commissioner of the department, assume ownership of all land and
4 buildings used in relation to the schools in the regional educational attendance area, as
5 provided for in AS 14.08.151(b);

6 (9) provide housing for rental to teachers, by leasing existing housing
7 from a local agency or individual, by entering into contractual arrangements with a
8 local agency or individual to lease housing that will be constructed by the local agency
9 or individual for that purpose, or, without using for the purpose that portion of public
10 school funding that consists of state aid provided under AS 14.17, by constructing or
11 otherwise acquiring housing that is owned and managed by the regional educational
12 attendance area for rental to teachers;

13 (10) employ a chief school administrator;

14 (11) **apply for and use the proceeds of a loan from the Alaska**
15 **energy efficiency revolving loan fund (AS 18.56.855);**

16 **(12)** exercise those other functions that may be necessary for the
17 proper performance of its responsibilities.

18 * **Sec. 3.** AS 14.40.170(b) is amended to read:

19 (b) The Board of Regents may

20 (1) adopt reasonable rules, orders, and plans with reasonable penalties
21 for the good government of the university and for the regulation of the Board of
22 Regents;

23 (2) determine and regulate the course of instruction in the university
24 with the advice of the president;

25 (3) set student tuition and fees;

26 (4) receive university receipts and, subject to legislative appropriation,
27 expend university receipts in accordance with AS 37.07 (Executive Budget Act);

28 **(5) apply for and use the proceeds of a loan from the Alaska**
29 **energy efficiency revolving loan fund (AS 18.56.855).**

30 * **Sec. 4.** AS 18.45.020 is amended to read:

31 **Sec. 18.45.020. United States licenses or permits required.** A person may

1 not manufacture, construct, produce, transfer, acquire, or possess a special nuclear
 2 material, by-product material, **special nuclear material facility, by-product material**
 3 **facility**, production facility, or utilization facility, or act as an operator of a production
 4 **facility** or utilization facility, wholly within the state without first obtaining a license
 5 or permit for the activity in which the person proposes to engage from the Nuclear
 6 Regulatory Commission if the commission requires a license or permit to be obtained
 7 by persons proposing to engage in the activities.

8 * **Sec. 5.** AS 18.45.025(a) is amended to read:

9 (a) A person may not construct a nuclear fuel production facility, **nuclear**
 10 **utilization facility**, utilization facility, reprocessing facility, or nuclear waste disposal
 11 facility in the state without first obtaining a permit from the Department of
 12 Environmental Conservation to construct the facility on land designated by the
 13 legislature under (b) of this section.

14 * **Sec. 6.** AS 18.45.025(b) is amended to read:

15 (b) The legislature shall designate by law the land in the state on which a
 16 nuclear fuel production **facility**, nuclear utilization **facility, utilization facility**,
 17 nuclear reprocessing **facility**, or nuclear waste disposal facility may be located. In
 18 designating the land in the state on which

19 **(1) a nuclear utilization facility or utilization facility may be**
 20 **located, the legislature shall act in the interest of regulating the economics of**
 21 **nuclear energy;**

22 **(2)** a nuclear fuel production **facility**, [NUCLEAR UTILIZATION,]
 23 nuclear reprocessing **facility**, or nuclear waste disposal facility may be located, the
 24 legislature shall act to protect the public health and safety.

25 * **Sec. 7.** AS 18.45.025(c) is repealed and reenacted to read:

26 (c) The Department of Environmental Conservation shall adopt regulations
 27 governing the issuance of permits required by (a) of this section. However, a permit
 28 may not be issued until the municipality with jurisdiction over the proposed facility
 29 site has approved the permit.

30 * **Sec. 8.** AS 18.56.090 is amended by adding a new subsection to read:

31 (f) In furtherance of its corporate purpose, the corporation may, in cooperation

1 with the Alaska Energy Authority, provide technical assistance to municipalities
 2 related to residential and commercial building energy codes and energy efficiency
 3 standards.

4 * **Sec. 9.** AS 18.56 is amended by adding a new section to read:

5 **Sec. 18.56.855. Alaska energy efficiency revolving loan fund.** (a) The
 6 Alaska energy efficiency revolving loan fund is established in the corporation to carry
 7 out the purposes of this section. The revolving loan fund consists of money or assets
 8 appropriated or transferred to the corporation for the revolving loan fund, including
 9 money and assets deposited in the revolving loan fund by the corporation and earnings
 10 on investments of money held in the revolving loan fund. The corporation may
 11 establish separate accounts in the fund. The corporation shall establish the interest
 12 rates, security provisions, and other terms of a loan made under this section taking into
 13 consideration the corporation's cost of funds and other factors the corporation
 14 considers appropriate.

15 (b) Money and other assets of the Alaska energy efficiency revolving loan
 16 fund may be used to

17 (1) make loans to regional educational attendance areas or to municipal
 18 governments, including subdivisions of municipal governments, to the University of
 19 Alaska, or to the state for the purpose of financing energy efficiency improvements to
 20 buildings owned by regional educational attendance areas, by the University of
 21 Alaska, by the state, or by municipalities in the state;

22 (2) secure bonds issued by the corporation to finance the loans
 23 described in (1) of this subsection;

24 (3) pay costs of administering the revolving loan fund; and

25 (4) pay the costs of administering and enforcing the terms of loans
 26 made by the corporation from the revolving loan fund.

27 (c) Before a regional educational attendance area, the University of Alaska, a
 28 municipal government, or a subdivision of a municipal government, may borrow
 29 money from the corporation under this section, the regional educational attendance
 30 area, the University of Alaska, or the municipal government shall waive any sovereign
 31 immunity defense it may have available to it with respect to enforcement of the terms

1 of the loan. A regional educational attendance area, the University of Alaska, or a
2 municipal government may waive sovereign immunity to comply with the requirement
3 of this subsection. The state waives any sovereign immunity defense against
4 enforcement of the terms of a loan made to the state under this section. A person or
5 corporation having a claim under this section shall bring an action in a state court in
6 Alaska that has jurisdiction over the claim.

7 (d) All regional educational attendance areas and municipal governments in
8 the state and the University of Alaska are authorized to borrow from the corporation
9 under this section. The corporation shall set out the terms of a loan to a regional
10 educational attendance area in a loan agreement or similar document. At the discretion
11 of the corporation, a borrowing by a regional educational attendance area, the
12 University of Alaska, or a municipal government under this section may be effected
13 by use of a loan agreement or similar document evidencing and setting out the terms
14 of the loan or by issuance of a bond by the municipal government to the corporation.
15 Notwithstanding a charter provision requiring public sale by a regional educational
16 attendance area or a municipality of its municipal bonds or other indebtedness, a
17 regional educational attendance area or municipality may sell its bonds under this
18 section to the corporation at a negotiated, private sale. At the discretion of the
19 corporation, the bonds or other indebtedness of the municipality may be general
20 obligations of the municipality or may be secured by an identified revenue source or
21 by a combination of the full faith and credit of the municipality and an identified
22 revenue source.

23 (e) Notwithstanding any other provision of law, to the extent that a department
24 or agency of the state is the custodian of money payable to a regional educational
25 attendance area, to the University of Alaska, or to a municipality, at any time after
26 written notice to the department or agency head from the corporation that the regional
27 educational attendance area, the University of Alaska, or municipality is in default on
28 the payment of principal of or interest on municipal bonds or other indebtedness then
29 held or owned by the corporation, or amounts due under an agreement between the
30 corporation and a regional educational attendance area, the University of Alaska, or a
31 municipality, the department or agency shall withhold the payment of that money from

1 that regional educational attendance area, the University of Alaska, or municipality
 2 and pay over the money to the corporation for the purpose of paying the principal of
 3 and interest on the bonds or indebtedness. The notice must be given in each instance
 4 of default. If a notice is given under this subsection and under AS 44.85.170 and the
 5 default is continuing under this subsection and under AS 44.85.170, the department or
 6 agency shall make payment to the corporation and to the Alaska Municipal Bond Bank
 7 Authority on a pro rata basis, taking into consideration the principal amount of the
 8 respective default amounts.

9 (f) An authorized state officer may borrow from the corporation under this
 10 section for buildings owned by the state. The superintendent of a regional educational
 11 attendance area, at the direction of the regional educational attendance area school
 12 board, may borrow from the corporation under this section for buildings owned by the
 13 regional educational attendance area. The president of the University of Alaska, at the
 14 direction of the Board of Regents, may borrow under this section for buildings owned
 15 by the University of Alaska.

16 (g) In addition to other security that may be given with respect to a loan made
 17 under this section, the corporation may require a deed of trust on the building that is
 18 the subject of the energy efficiency loan and the real estate on which the building is
 19 located. A regional educational attendance area, the University of Alaska, or a
 20 municipality may grant a deed of trust to the corporation as needed for this purpose.
 21 An authorized state officer may grant a deed of trust to the corporation as needed for
 22 this purpose.

23 (h) The corporation shall administer the Alaska energy efficiency revolving
 24 loan fund in accordance with regulations adopted by the corporation. The corporation
 25 may adopt regulations under AS 18.56.088 to carry out the purposes of this section.

26 (i) This section applies to home rule municipalities.

27 (j) In this section, "authorized state officer" means

28 (1) the commissioner of the department of the state for a building
 29 owned by the state;

30 (2) the executive director of a public corporation for a building owned
 31 by the public corporation;

- 1 (3) the legislative council for a building owned by the legislature;
- 2 (4) the administrative director of courts for a building owned by the
- 3 judicial system;
- 4 (5) any other person designated in writing by a person listed in (1) - (4)
- 5 of this subsection.

6 * **Sec. 10.** AS 29.45.050(b) is amended to read:

7 (b) A municipality may by ordinance

8 (1) classify and exempt from taxation

9 (A) the property of an organization not organized for business

10 or profit-making purposes and used exclusively for community purposes if the

11 income derived from rental of that property does not exceed the actual cost to

12 the owner of the use by the renter;

13 (B) historic sites, buildings, and monuments;

14 (C) land of a nonprofit organization used for agricultural

15 purposes if rights to subdivide the land are conveyed to the state and the

16 conveyance includes a covenant restricting use of the land to agricultural

17 purposes only; rights conveyed to the state under this subparagraph may be

18 conveyed by the state only in accordance with AS 38.05.069(c);

19 (D) all or any portion of private ownership interests in property

20 that, based upon a written agreement with the University of Alaska, is used

21 exclusively for student housing for the University of Alaska; property may be

22 exempted from taxation under this subparagraph for no longer than 30 years

23 unless the exemption is specifically extended by ordinance adopted within the

24 six months before the expiration of that period;

25 **(E) a residential renewable energy system that is used to**

26 **develop means of energy production using energy sources other than fossil**

27 **or nuclear fuel, including windmills and water and solar energy devices**

28 **located in the municipality;**

29 (2) classify as to type and exempt or partially exempt some or all types

30 of personal property from ad valorem taxes.

31 * **Sec. 11.** AS 37.07.040 is amended to read:

1 **Sec. 37.07.040. Office of management and budget.** The Alaska office of
2 management and budget shall

3 (1) assist the governor in meeting the requirements of AS 37.07.020,
4 including the coordination and analysis of state agency goals and objectives, plans,
5 and budget requests;

6 (2) prepare for submission to the governor an annually updated six-
7 year capital improvements program and the proposed capital improvements budget for
8 the coming fiscal year, the latter to include individual project justification with
9 documentation of estimated project cost;

10 (3) develop procedures to produce the information needed for effective
11 policy decision making, including procedures to provide for the dissemination of
12 information about plans, programs, and budget requests to be included in the annual
13 budget and opportunity for public review and comment during the period of budget
14 preparation;

15 (4) assist state agencies in their statement of goals and objectives to
16 achieve, among other things, the legislature's mission and desired results, preparation
17 of plans, assessments of the extent to which missions and desired results have been
18 achieved, budget requests, and reporting of program performance; all documents
19 forwarded by the office to a state agency containing instructions for the preparation of
20 program plans and budget requests and the reporting of program performance are
21 public information after the date they are forwarded;

22 (5) administer its responsibilities under the program execution
23 provisions of this chapter so that the policy decisions and budget determinations of the
24 governor and the legislature are implemented;

25 (6) provide the legislative finance division with the budget information
26 it may request;

27 (7) provide the legislative finance division with an advance copy of the
28 governor's budget workbooks at least seven days before the legislature convenes in a
29 regular session;

30 (8) prepare the proposed capital improvements budget for the coming
31 fiscal year evaluating both state and local requests from the standpoint of need, equity,

1 and priorities of the jurisdiction; other factors such as project amounts, population,
 2 local financial match, federal funds being used for local match, municipality or
 3 unincorporated community acceptance of the facility, and all associated costs of the
 4 facility may be considered;

5 (9) for each department in the executive branch, report to the
 6 legislature by the 45th day of each regular session the amount of money appropriated
 7 to the department that is expected to lapse into the general fund at the end of the
 8 current fiscal year;

9 (10) establish and administer a state agency program performance
 10 management system involving planning, performance budgeting, performance
 11 measurement, and program evaluation; the office shall ensure that information
 12 generated under this system is useful for managing and improving the efficiency and
 13 effectiveness of agency operations;

14 (11) by January 15, list each lease-purchase agreement entered into by
 15 an agency during the immediately preceding fiscal year for the acquisition of
 16 equipment or other personal property, together with a description of the property
 17 acquired and financial details, including the purchase price, the term for payments, the
 18 amount of each payment, and the amount of interest or financing charges paid;

19 **(12) work with state agencies to develop a standardized**
 20 **methodology to collect and store energy consumption and expense data.**

21 * **Sec. 12.** AS 38.05.810(e) is amended to read:

22 (e) The lease, sale, or other disposal of state land at appraised fair market
 23 value may be negotiated with a licensed public utility or a licensed common carrier by
 24 the director with the approval of the commissioner if the utility or carrier reasonably
 25 requires the land for the conduct of its business under its license. **A lease with a**
 26 **licensed public utility that is an electric utility entered into under this subsection**
 27 **may not include, as part of the rent or other fee that is negotiated or charged, an**
 28 **amount that is based on or determined by a percentage of gross revenue for**
 29 **renewable energy produced by the electric utility.**

30 * **Sec. 13.** AS 42.45.040 is repealed and reenacted to read:

31 **Sec. 42.45.040. Southeast energy fund.** (a) The Southeast energy fund is

1 established as a separate fund. The fund consists of

- 2 (1) money appropriated to the fund by the legislature;
- 3 (2) money transferred to it under former AS 42.45.050;
- 4 (3) gifts, bequests, contributions from other sources, and federal
- 5 money;
- 6 (4) interest earned on the fund balance; and
- 7 (5) investments, to be managed by the Department of Revenue, which
- 8 shall be the fiduciary of the fund under AS 37.10.071.

9 (b) The fund is not a dedicated fund.

10 (c) The authority may make grants from the Southeast energy fund to a

11 municipality of the state, a joint action agency established under AS 42.45.300, or a

12 member-owned electric cooperative established under AS 10.25, for power projects,

13 repayment of loans, and payments on bonds for hydroelectric projects and electrical

14 transmission lines or interties serving Southeast Alaska that are entirely owned by the

15 grantee.

16 (d) An appropriation from the fund for a project described in (c) of this section

17 lapses back into the fund if substantial, ongoing work on the project has not begun

18 within seven years after the effective date of the appropriation.

19 * **Sec. 14.** AS 42.45 is amended by adding a new section to read:

20 **Article 7A. Emerging Energy Technology Fund.**

21 **Sec. 42.45.375. Emerging energy technology fund.** (a) In order to promote

22 the expansion of energy sources available to Alaskans, the emerging energy

23 technology fund is established. The fund consists of

- 24 (1) money appropriated to the fund by the legislature to provide grants
- 25 for energy projects; and
- 26 (2) gifts, bequests, contributions from other sources, and federal
- 27 money appropriated to the fund.

28 (b) The fund is not a dedicated fund.

29 (c) The fund shall be administered by the authority, but the authority may

30 contract for the investment of money appropriated to the fund but not disbursed for a

31 grant. The authority, in consultation with the advisory committee established under (f)

1 of this section, may make grants from the fund to eligible applicants for demonstration
 2 projects of technologies that have a reasonable expectation to be commercially viable
 3 within five years and that are designed to

4 (1) test emerging energy technologies or methods of conserving
 5 energy;

6 (2) improve an existing energy technology; or

7 (3) deploy an existing technology that has not previously been
 8 demonstrated in the state.

9 (d) In making grants under this section, the authority, in consultation with the
 10 advisory committee established under (f) of this section, shall give priority to

11 (1) Alaska residents, associations, organizations, or institutions;

12 (2) projects that demonstrate partnership with the University of Alaska
 13 or another Alaska postsecondary institution;

14 (3) projects supported by matching funds or in-kind partnerships; and

15 (4) projects with potential for widespread deployment in the state.

16 (e) In administering the fund, the authority may enter into a contract or
 17 agreement with the University of Alaska to provide technical and economic review
 18 and analysis for the advisory committee established under (f) of this section and data
 19 acquisition and analysis of the projects awarded grants.

20 (f) An advisory committee is established and consists of seven members. Each
 21 member of the committee shall have a degree in science or engineering, or equivalent
 22 professional experience, and at least two years of experience working in the state.
 23 Members of the committee shall be appointed by the governor to staggered three-year
 24 terms. The committee consists of one representative of each of the following groups:

25 (1) a business or organization engaged in the renewable energy sector;

26 (2) a business or organization engaged in the fossil fuel energy sector;

27 (3) the Alaska Power Association or an Alaska electric utility;

28 (4) the Denali Commission established under P.L. 105-277 and
 29 mentioned in a note at 42 U.S.C. 3121;

30 (5) the National Renewable Energy Laboratory;

31 (6) the Arctic Energy Office of the National Energy Technology

1 Laboratory;

2 (7) the Alaska Industrial Development and Export Authority.

3 (g) A member of the advisory committee appointed under (f) of this section
4 serves without compensation but is entitled to per diem and travel expenses as
5 provided in AS 39.20.180.

6 (h) If a member of the advisory committee appointed under (f)(4), (5), or (6)
7 of this section is not available to serve as a member of the committee, the governor
8 shall appoint a representative from a federal agency or department with a comparable
9 mission or purpose to the agency listed in (f)(4), (5), or (6) of this section to fill the
10 position on the committee. If a representative from a federal agency or department is
11 not available to fill the position, the governor may appoint a member from a state
12 agency or department.

13 (i) A business or organization represented by a member of the advisory
14 committee under (f) of this section is not eligible to receive a grant from the fund.

15 (j) In this section,

16 (1) "eligible applicant" means

17 (A) an electric utility holding a certificate of public
18 convenience and necessity under AS 42.05;

19 (B) an independent power producer;

20 (C) a local government, quasi-governmental entity, or other
21 governmental entity, including a tribal council or housing authority;

22 (D) a business holding an Alaska business license; or

23 (E) a nonprofit organization.

24 (2) "energy technology" means technology that promotes, enhances, or
25 expands the diversity of available energy supply sources or means of transmission,
26 increases energy efficiency, or reduces negative energy-related environmental effects;
27 "energy technology" includes technology related to renewable sources of energy,
28 conservation of energy, enabling technologies, efficient and effective use of
29 hydrocarbons, and integrated energy systems;

30 (3) "fund" means the emerging energy technology fund.

31 * **Sec. 15.** AS 42.45.990(4) is amended to read:

1 (4) "power project" or "project" means a plant, works, system, or
 2 facility, together with related or necessary facilities and appurtenances, including a
 3 divided or undivided interest in or a right to the capacity of a power project or project,
 4 that is used or is useful for the purpose of

5 (A) electrical or thermal energy production [OTHER THAN
 6 NUCLEAR ENERGY PRODUCTION];

7 (B) waste energy utilization and energy conservation; or

8 (C) transmission, purchase, sale, exchange, and interchange of
 9 electrical or thermal energy, including district heating or interties;

10 * **Sec. 16.** AS 44.42.020(a) is amended to read:

11 (a) The department shall

12 (1) plan, design, construct, and maintain all state modes of
 13 transportation and transportation facilities and all docks, floats, breakwaters, buildings,
 14 and similar facilities;

15 (2) study existing transportation modes and facilities in the state to
 16 determine how they might be improved or whether they should continue to be
 17 maintained;

18 (3) study alternative means of improving transportation in the state
 19 with regard to the economic costs of each alternative and its environmental and social
 20 effects;

21 (4) develop a comprehensive, long-range, intermodal transportation
 22 plan for the state;

23 (5) study alternatives to existing modes of transportation in urban areas
 24 and develop plans to improve urban transportation;

25 (6) cooperate and coordinate with and enter into agreements with
 26 federal, state, and local government agencies and private organizations and persons in
 27 exercising its powers and duties;

28 (7) manage, operate, and maintain state transportation facilities and all
 29 docks, floats, breakwaters, and buildings, including all state highways, vessels,
 30 railroads, pipelines, airports, and aviation facilities;

31 (8) study alternative means of transportation in the state, considering

1 the economic, social, and environmental effects of each alternative;

2 (9) coordinate and develop state and regional transportation systems,
3 considering deletions, additions, and the absence of alterations;

4 (10) develop facility program plans for transportation and state
5 buildings, docks, and breakwaters required to implement the duties set out in this
6 section, including but not limited to functional performance criteria and schedules for
7 completion;

8 (11) supervise and maintain all state automotive and mechanical
9 equipment, aircraft, and vessels, except vessels and aircraft used by the Department of
10 Fish and Game or the Department of Public Safety; for state vehicles maintained by
11 the department, the department shall every five years evaluate the cost, efficiency, and
12 commercial availability of alternative fuels for automotive purposes, and the purpose
13 for which the vehicles are intended to be used, and convert **vehicles to use alternative**
14 **fuels** or purchase **energy efficient** vehicles [TO USE ALTERNATIVE FUELS]
15 whenever practicable; the department may participate in joint ventures with public or
16 private partners that will foster the availability of alternative fuels for all automotive
17 fuel consumers;

18 (12) supervise aeronautics inside the state, under AS 02.10;

19 (13) implement the safety and financial responsibility requirements for
20 air carriers under AS 02.40;

21 (14) inspect weights and measures;

22 (15) at least every four years study alternatives available to finance
23 transportation systems in order to provide an adequate level of funding to sustain and
24 improve the state's transportation system.

25 * **Sec. 17.** AS 44.83.990(6) is amended to read:

26 (6) "power project" or "project" means a plant, works, system, or
27 facility, together with related or necessary facilities and appurtenances, including a
28 divided or undivided interest in or a right to the capacity of a power project or project,
29 that is used or is useful for the purpose of

30 (A) electrical or thermal energy production [OTHER THAN
31 NUCLEAR ENERGY PRODUCTION];

1 (B) waste energy utilization and energy conservation; or

2 (C) transmission, purchase, sale, exchange, and interchange of
3 electrical or thermal energy, including district heating or interties;

4 * **Sec. 18.** AS 45.88.010(a) is amended to read:

5 (a) There is established in the Department of Commerce, Community, and
6 Economic Development the alternative energy **conservation** revolving loan fund to
7 carry out the purposes of AS 45.88.010 - 45.88.090. Loans made under AS 45.88.010
8 - 45.88.090 are to be used

9 (1) to develop means of energy production utilizing **one or more**
10 **alternative energy systems; and**

11 (2) **to purchase, construct, and install energy conservation**
12 **improvements in commercial buildings** [ENERGY SOURCES OTHER THAN
13 FOSSIL OR NUCLEAR FUEL, INCLUDING, BUT NOT LIMITED TO,
14 WINDMILLS, WATER AND SOLAR ENERGY DEVICES].

15 * **Sec. 19.** AS 45.88.010 is amended by adding a new subsection to read:

16 (e) The alternative energy conservation revolving loan fund consists of

17 (1) money appropriated to the fund by the legislature;

18 (2) gifts, bequests, or contributions from other sources;

19 (3) principal and interest payments or other income earned on loans or
20 investments in the fund; and

21 (4) money chargeable to principal or interest that is collected through
22 liquidation by foreclosure or other processes on loans made under AS 45.88.010 -
23 45.88.090.

24 * **Sec. 20.** AS 45.88.020(a) is amended to read:

25 (a) The department may

26 (1) make loans for the purchase, construction, and installation, **in**
27 **commercial buildings that are located in the state**, of

28 (A) **alternative energy systems; and**

29 (B) **energy conservation improvements;**

30 (2) adopt regulations necessary to carry out the provisions of
31 AS 45.88.010 - 45.88.090, including regulations to establish reasonable fees for

1 services provided and charges for collecting the fees;

2 (3) collect the fees and collection charges established under this
3 subsection.

4 * **Sec. 21.** AS 45.88.025 is amended by adding a new section to read:

5 **Sec. 45.88.025. Eligibility.** To be eligible for a loan under AS 45.88.010 -
6 45.88.090, an applicant must

7 (1) physically reside in the state and maintain a domicile in the state
8 during 12 consecutive months before the date of application for a loan and may not
9 have

10 (A) declared or established residency in another state; or

11 (B) received residency or a benefit based on residency from
12 another state;

13 (2) be at least 51 percent owned by individuals described in (1) of this
14 section if the applicant is a corporation, joint venture, or partnership; or

15 (3) be a nonprofit organization under AS 10.20.

16 * **Sec. 22.** AS 45.88.030(a) is repealed and reenacted to read:

17 (a) A loan made under AS 45.88.010 - 45.88.090 may not exceed \$50,000. If
18 the requested loan amount exceeds \$30,000, the applicant must deliver to the
19 department a document from a financial institution stating that

20 (1) the applicant has been denied a loan for the same purpose; or

21 (2) the loan from the financial institution is contingent on the applicant
22 also receiving a loan from the fund.

23 * **Sec. 23.** AS 45.88.030(e) is amended to read:

24 (e) The rate of interest for a loan under AS 45.88.010 - 45.88.090 is the
25 prime rate, as defined by AS 44.88.599, plus one percentage point, but may not be
26 less than five percent a year [FOR AN ALTERNATIVE ENERGY SYSTEM IS
27 FIVE PERCENT FOR THE FIRST \$15,000 OF THE LOAN AND 15 PERCENT
28 FOR THE AMOUNT OF THE LOAN THAT EXCEEDS \$15,000].

29 * **Sec. 24.** AS 45.88.030 is amended by adding a new subsection to read:

30 (f) A loan under AS 45.88.010 - 45.88.090 must be secured by a mortgage or
31 other security instrument in the real property to be improved and a lien on the

1 improvements financed with the loan.

2 * **Sec. 25.** AS 45.88.090(a) is amended to read:

3 (a) In AS 45.88.010 - 45.88.090,

4 **(1)** "alternative energy system"

5 **(A)** [(1)] means a source of thermal, mechanical or electrical
6 energy **that** [WHICH] is not dependent on oil or gas or a nuclear fuel for the
7 supply of energy for space heating and cooling, refrigeration and cold storage,
8 electrical power, mechanical power, or the heating of water;

9 **(B)** [(2)] includes

10 **(i)** [(A)] an alternative energy property as defined by 26
11 U.S.C. 48(a)(3)(A) (Sec. 301, P.L. 95-618, Internal Revenue Code);

12 **(ii)** [(B)] a method of architectural design and
13 construction which provides for the collection, storage, and use of
14 direct radiation from the sun;

15 **(iii)** [(C)] a woodstove with a catalytic converter or a
16 catalytic converter for a wood stove; [AND]

17 **(iv)** [(D)] a steam, hot water, or ducted hot air central
18 heating system that uses wood or coal for fuel; **and**

19 **(v) a high efficiency wood pellet or grain stove;**

20 **(C)** [(3)] does not include

21 **(i)** [(A)] a stove that uses only wood, coal, or oil for
22 fuel; or

23 **(ii)** [(B)] a fireplace or fireplace insert;

24 **(2)** "**commercial building**"

25 **(A) means a building that is intended to be used for**
26 **commercial purposes;**

27 **(B) does not include**

28 **(i) a residential structure or mobile home that**
29 **contains one to four family housing units; or**

30 **(ii) individual units of condominiums or**
31 **cooperatives;**

1 **(3) "energy conservation improvement" means**

2 **(A) structural insulation;**

3 **(B) thermal windows and doors;**

4 **(C) a furnace replacement burner designed to achieve a**
 5 **reduction in the amount of fuel consumed as a result of increased**
 6 **combustion efficiency;**

7 **(D) a device for modifying flue openings designed to**
 8 **increase the efficiency of operation of the heating system;**

9 **(E) an electrical or mechanical furnace ignition system that**
 10 **replaces a gas pilot light;**

11 **(F) an automatic energy-saving setback thermostat;**

12 **(G) a meter that displays the cost of energy usage;**

13 **(H) caulking and weather stripping of doors and windows;**

14 **(I) insulating shades and shutters;**

15 **(J) air and water recuperators.**

16 * **Sec. 26.** AS 46.11.900(1) is amended to read:

17 (1) "alternative energy system"

18 (A) means a source of thermal, mechanical, or electrical energy
 19 that is not dependent on oil or gas [OR A NUCLEAR FUEL] for the supply of
 20 energy for space heating and cooling, refrigeration and cold storage, electrical
 21 power, mechanical power, or the heating of water;

22 (B) includes

23 (i) an alternative energy property as defined by 26
 24 U.S.C. 48(a)(3)(A); and

25 (ii) a method of architectural design and construction
 26 that provides for the collection, storage, and use of direct radiation from
 27 the sun;

28 * **Sec. 27.** AS 47.25.621 is amended to read:

29 **Sec. 47.25.621. Alaska affordable heating [ASSISTANCE] program.** (a)

30 The Alaska affordable heating [ASSISTANCE] program is established in the
 31 Department of Health and Social Services to provide expanded eligibility for Alaska

1 residents for home heating assistance, to the extent funds are **available in the Alaska**
 2 **affordable heating fund** [APPROPRIATED BY THE LEGISLATURE FOR THAT
 3 PURPOSE].

4 (b) The **Alaska affordable** heating [ASSISTANCE] program established
 5 under this section is in addition to the federal low-income heating and energy
 6 assistance provided under 42 U.S.C. 8621 - 8629 (Low-Income Home Energy
 7 Assistance Act of 1981), as amended, and implementing regulations.

8 * **Sec. 28.** AS 47.25.621 is amended by adding a new subsection to read:

9 (c) The Alaska affordable heating fund is established as a separate fund to be
 10 managed by the Department of Revenue. The fund consists of appropriations made to
 11 it. Interest earned by the fund may be appropriated to it. The Department of Health and
 12 Social Services shall use money in the fund for Alaska affordable heating payments.

13 * **Sec. 29.** AS 47.25.622 is amended to read:

14 **Sec. 47.25.622. Duties.** The **Department of Health and Social Services**
 15 [DEPARTMENT] shall

16 (1) administer the Alaska **affordable** heating [ASSISTANCE]
 17 program provided under AS 47.25.621;

18 (2) adopt regulations under AS 44.62 (Administrative Procedure Act)
 19 to carry out the purpose of the program;

20 (3) coordinate payments among other heating assistance programs to
 21 avoid duplication of payments.

22 * **Sec. 30.** AS 47.25.623 is amended to read:

23 **Sec. 47.25.623. Eligibility; payment amount.** An individual is eligible for
 24 home heating assistance payments under the Alaska **affordable** heating
 25 [ASSISTANCE] program if the individual

26 (1) is a resident of the state;

27 (2) is physically present and resides in a home in the state when the
 28 home heating costs are incurred;

29 (3) **for assistance calculated under (b) and (c) of this section, has**
 30 **gross household income not to exceed, as a percentage of the federal poverty**
 31 **guideline for Alaska set by the United States Department of Health and Human**

1 **Services and revised under 42 U.S.C. 9902(2),**

2 **(A) 225 percent for a determination to be made under (c)(1)**

3 **- (3) of this section; and**

4 **(B) 250 percent for a determination to be made under (c)(4)**

5 **of this section; and** [HAS GROSS HOUSEHOLD INCOME ABOVE 150
6 PERCENT BUT THAT DOES NOT EXCEED 225 PERCENT OF THE
7 FEDERAL POVERTY GUIDELINE FOR ALASKA SET BY THE UNITED
8 STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES AND
9 REVISED UNDER 42 U.S.C. 9902(2);]

10 (4) meets other eligibility requirements specified in regulations
11 adopted under AS 47.25.622.

12 * **Sec. 31.** AS 47.25.623 is amended by adding new subsections to read:

13 (b) The Department of Health and Social Services shall determine the number
14 of points for each eligible individual based on the point formula used under 42 U.S.C.
15 8621 - 8629 (Low-Income Home Energy Assistance Act of 1981), as amended, and
16 implementing regulations. Except as provided in (d) of this section, the amount of the
17 Alaska affordable heating payment for an individual equals the base amount calculated
18 under (c) of this section minus the amount the individual is eligible to receive under
19 the federal low-income home energy assistance program under 42 U.S.C. 8621 - 8629,
20 as amended, and implementing regulations.

21 (c) The Department of Health and Social Services shall calculate the base
22 amount of the Alaska affordable heating payment for the individual based on points
23 determined under (b) of this section and on the average price a barrel of Alaska North
24 Slope crude oil for sale on the United States West Coast during September through
25 February of the preceding fiscal year as follows:

26 (1) \$130 a point when the average price is not more than \$75 a barrel;

27 (2) \$140 a point when the average price is more than \$75 and not more
28 than \$100 a barrel;

29 (3) \$150 a point when the average price is more than \$100 and not
30 more than \$150 a barrel;

31 (4) \$165 a point when the average price is more than \$150 a barrel.

1 (d) Under the program authorized by AS 47.25.621 - 47.25.626, taking into
2 consideration the gross household income rates established in (a) of this section and
3 the base amounts to be calculated under (b) and (c) of this section,

4 (1) if insufficient money is appropriated to fully fund the Alaska
5 affordable heating payments during the fiscal year, the department

6 (A) shall, for the duration of that fiscal year, suspend
7 calculation and payment under (a)(3)(B) of this section and calculate and pay
8 all eligible individuals under (a)(3)(A) of this section; and

9 (B) may, to the extent there is or may be an appropriation
10 balance surplus to the amount required to make all payments under (A) of this
11 paragraph, by regulation, establish at any time during the fiscal year a
12 prospective pro rata reduction of the payment rates that the department will
13 pay to eligible individuals under the program during that fiscal year qualifying
14 under (a)(3)(B) of this section and, thereafter, may provide for prorated
15 payments; and

16 (2) if the commissioner reasonably determines that the total of
17 appropriations from all sources during the fiscal year may exceed the amount required
18 to fully fund all applications for assistance for Alaska affordable heating payments, the
19 commissioner may expend the amount of excess money, not to exceed the total
20 amount of the appropriations, to carry out the purpose of AS 47.25.621 - 47.25.626;
21 under the authority of this paragraph, the commissioner shall distribute the estimated
22 excess money pro rata among individuals receiving assistance under this section
23 without regard to the limitations set out in the dollar value of the point formula
24 expressed in (c)(1) - (4) of this section.

25 * **Sec. 32.** AS 47.25.626(a) is amended to read:

26 (a) The **Department of Health and Social Services** [DEPARTMENT] may
27 develop a regional Alaska heating [ASSISTANCE] program for the administration of
28 AS 47.25.621 - 47.25.626 to provide home heating assistance in a uniform and cost-
29 effective manner in a region of this state if an Alaska Native organization is authorized
30 to implement a federally approved tribal family assistance plan that includes that
31 region and has been awarded a tribal energy assistance grant for a program that

1 includes that region under 42 U.S.C. 8623(d).

2 * **Sec. 33.** AS 47.25.626(b) is amended to read:

3 (b) The department may award contracts to implement a program developed
4 under (a) of this section. A contract authorized for delivery of home heating assistance
5 under a regional Alaska heating [ASSISTANCE] program under this section is exempt
6 from the competitive bid requirements of AS 36.30 (State Procurement Code). Subject
7 to appropriation, a contract under this section must be in an amount that represents a
8 fair and equitable share of the money appropriated for the Alaska **affordable** heating
9 [ASSISTANCE] program under AS 47.25.621 - 47.25.626 to serve the state residents
10 specified in (a) of this section. The authority provided under this section to contract is
11 in addition to the authority to contract in AS 47.05.015 or other law.

12 * **Sec. 34.** AS 47.25.626(f) is amended to read:

13 (f) If the department establishes a regional Alaska heating [ASSISTANCE]
14 program and awards a contract to provide home heating assistance under this section,

15 **(1) a person applying for home heating assistance under AS 47.25.621**
16 **- 47.25.626 in the region of the state covered by the regional Alaska heating assistance**
17 **program may obtain home heating [ASSISTANCE] from the department only through**
18 **the organization designated by the department to serve the region;**

19 **(2) the department may require the contractor**

20 **(A) to operate and administer the contract in a manner**
21 **consistent with the organization's federally approved energy assistance**
22 **grant and plan; or**

23 **(B) to apply the provisions of AS 47.25.623 to determine**
24 **eligibility for home heating assistance to a person for whom assistance**
25 **may be paid under the contract or may allow the contractor to use other**
26 **criteria to determine that eligibility.**

27 * **Sec. 35.** AS 42.45.375, enacted by sec. 14 of this Act, is repealed January 1, 2015.

28 * **Sec. 36.** AS 45.88.010(c), 45.88.030(c), 45.88.030(d), and 45.88.040(a) are repealed.

29 * **Sec. 37.** The uncodified law of the State of Alaska is amended by adding a new section to
30 read:

31 OFFICE OF MANAGEMENT AND BUDGET. Not later than January 31, 2011, the

1 Office of Management and Budget shall develop a standardized methodology to collect and
 2 store energy consumption and expense data as described in AS 37.07.040(12), as enacted by
 3 sec. 11 of this Act.

4 * **Sec. 38.** The uncodified law of the State of Alaska is amended by adding a new section to
 5 read:

6 OFFICE OF THE GOVERNOR ENERGY REPORT. Not later than January 31, 2011,
 7 the governor shall submit a report to the legislature providing recommendations for how best
 8 to structure state energy programs and offices to increase the coordination and efficiency of
 9 the state's efforts and describing state energy services and programs in their entirety. The
 10 report must also include an examination of existing powers and duties and the structure of the
 11 Alaska Energy Authority and its board of directors, specifically analyzing the relationship
 12 between the Alaska Energy Authority and the Alaska Industrial Development and Export
 13 Authority.

14 * **Sec. 39.** The uncodified law of the State of Alaska is amended by adding a new section to
 15 read:

16 USE OF COMPRESSED NATURAL GAS TO POWER VEHICLES; PILOT
 17 PROGRAM; STUDY; PROPOSAL; REPORT. (a) The Department of Transportation and
 18 Public Facilities shall, under the authority of AS 44.42.020(a)(3), study the feasibility of using
 19 compressed natural gas to power vehicles in the state. The study must

20 (1) review existing government programs and incentives offered in Utah and
 21 other North American jurisdictions that promote the use of compressed natural gas to power
 22 vehicles;

23 (2) review and summarize relevant studies and investigations on existing
 24 public policy incentives that encourage the use of compressed natural gas to power vehicles;

25 (3) evaluate the environmental benefits and technical merits of using
 26 compressed natural gas to power vehicles;

27 (4) consider the economic, environmental, and technological advantages and
 28 disadvantages of using and promoting the use of compressed natural gas to power vehicles in
 29 the state; and

30 (5) if warranted by the findings of the study, set out a proposal for a pilot
 31 program in the state to test the use of compressed natural gas to power vehicles owned,

1 operated, or paid for in whole or in part by the state; the proposal must

2 (A) recommend the most cost-effective and appropriate departments
3 and geographic locations for a pilot program;

4 (B) detail how the pilot program, if successful, could be expanded to
5 provide for increased use of compressed natural gas to power vehicles owned or
6 operated by the state, as well as privately owned or operated vehicles;

7 (C) estimate the costs to the state of a pilot program in which the state
8 would purchase vehicles powered by compressed natural gas or convert existing
9 vehicles to be powered by compressed natural gas, including

10 (i) the costs of maintaining vehicles powered by compressed
11 natural gas and training maintenance personnel;

12 (ii) the costs of adapting, or encouraging the adapting of, state
13 vehicle fueling locations to provide compressed natural gas;

14 (iii) the costs of using compressed natural gas instead of diesel
15 fuel or gasoline;

16 (iv) the costs of expanding the pilot program or developing
17 additional pilot programs under (B) of this paragraph;

18 (v) other costs or savings that can be reasonably expected to
19 accompany the pilot program.

20 (b) The Department of Transportation and Public Facilities shall prepare a report
21 containing the results of the study under (a) of this section not later than January 31, 2011.
22 The department shall notify the legislature when the report is available.

23 * **Sec. 40.** The uncodified law of the State of Alaska is amended by adding a new section to
24 read:

25 BOND AUTHORIZATION AND PROVISIONS. (a) In addition to the powers in
26 AS 18.56.090, the Alaska Housing Finance Corporation may issue bonds in an amount not to
27 exceed \$250,000,000 to make loans from the energy efficiency revolving loan fund
28 established by AS 18.56.855, enacted by sec. 9 of this Act, and to finance the purposes
29 permitted by AS 18.56.855, enacted by sec. 9 of this Act. AS 18.56.110 - 18.56.190 and
30 18.56.855, enacted by sec. 9 of this Act, apply to bonds issued under this section, except that
31 bonds issued under this section are not subject to, and may not be counted against, the bond

1 issuance limitation set out in AS 18.56.110(g).

2 (b) The Alaska Housing Finance Corporation shall deposit the proceeds of bonds
3 issued under (a) of this section in the Alaska energy efficiency revolving loan fund in
4 accordance with AS 18.56.855, enacted by sec. 9 of this Act.

5 * **Sec. 41.** The uncodified law of the State of Alaska is amended by adding a new section to
6 read:

7 MUNICIPAL ENERGY IMPROVEMENTS FINANCING PROGRAM
8 RECOMMENDATION. Not later than January 31, 2011, the Department of Revenue shall
9 submit to the legislature a report and recommendations regarding the feasibility of a
10 municipal energy improvements financing program. The report must

11 (1) address financing programs for energy efficiency and renewable energy
12 projects on residential, commercial, and industrial property through property tax assessments;
13 and

14 (2) identify the costs and benefits of a municipal energy improvements
15 financing program in the state.

16 * **Sec. 42.** The uncodified law of the State of Alaska is amended by adding a new section to
17 read:

18 TRANSITION: REGULATIONS. (a) To the extent consistent with secs. 27 - 34 of
19 this Act, regulations of the Department of Health and Social Services adopted under the
20 authority of AS 47.25.622 that are in effect on the effective date of secs. 27 - 34 of this Act
21 remain in effect until the department adopts regulations consistent with secs. 27 - 34 of this
22 Act.

23 (b) A state agency affected by this Act with the authority to adopt regulations under
24 state law may proceed to adopt regulations necessary to implement the changes made by this
25 Act. The regulations take effect in accordance with applicable state law but not before the
26 effective date of the law implemented by the regulation.

27 * **Sec. 43.** The uncodified law of the State of Alaska is amended by adding a new section to
28 read:

29 REGULATIONS: ATTORNEY INSTRUCTION. Throughout the Alaska
30 Administrative Code, the regulations attorney is instructed to change the phrase "Alaska
31 Heating Assistance Program" to "Alaska Affordable Heating Program," as appropriate, if

1 consistent with the changes made in secs. 27 - 34 of this Act.

2 * **Sec. 44.** The uncodified law of the State of Alaska is amended by adding a new section to
3 read:

4 REVISOR'S INSTRUCTIONS. (a) The revisor of statutes is instructed to change the
5 heading of art. 6 of AS 18.56 from "Energy Conservation" to "Energy Efficiency and
6 Conservation Programs."

7 (b) The revisor of statutes is instructed to change the heading of art. 4 of AS 47.25
8 from "Alaska Heating Assistance Program" to "Alaska Affordable Heating Program."

9 * **Sec. 45.** Section 42(b) of this Act takes effect immediately under AS 01.10.070(c).