

ST BILL NO.	DOC TYPE	VERSION	LEGIS DATE
AKSB220	Bill Text	Introduced	1/19/2010
ENERGY EFFICIENCY/ ALTERNATIVE ENERGY			

00 SENATE BILL NO. 220  
01 "An Act declaring a state energy policy; relating to energy efficiency and alternative  
02 energy; establishing the energy efficiency grant fund, an emerging energy technology  
03 fund, a renewable energy production tax credit, and an energy use index; and relating to  
04 a fuel purchasing cooperative, to energy codes and efficiency standards, to energy  
05 conservation targets in public buildings, to a state agency energy use reduction plan, to  
06 the alternative energy revolving loan fund, and to the renewable energy grant fund."  
07 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
08 \* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
09 to read:  
10 SHORT TITLE. This Act may be known as the Alaska Sustainable Energy Act.  
11 \* **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to  
12 read:  
13 LEGISLATIVE INTENT. For AS 44.99.115, enacted by sec. 19 of this Act, it is the  
01 intent of the legislature that the state  
02 (1) achieve a 10 percent increase in energy efficiency on a per capita basis by  
03 2015 and a 15 percent increase in energy efficiency by 2020;  
04 (2) receive 50 percent of its electric generation from renewable energy sources  
05 by 2025;  
06 (3) work to ensure a reliable in-state gas supply for residents of the state.  
07 \* **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to  
08 read:  
09 PURPOSE. The purpose of secs. 14 - 16, 18, 27, and 28 of this Act is to reduce the  
10 amount of energy consumed by public facilities by 20 percent not later than 15 years after the  
11 completion of the energy use index database, thereby reducing costs to the state and  
12 increasing jobs in energy efficiency industries.  
13 \* **Sec. 4.** AS 18.56.090 is amended by adding a new subsection to read:  
14 (f) In furtherance of its corporate purpose, the corporation may, in cooperation  
15 with the Alaska Energy Authority, provide technical assistance to municipalities  
16 related to residential and commercial building energy codes and energy efficiency  
17 standards.  
18 \* **Sec. 5.** AS 18.56 is amended by adding a new section to read:  
19 **Sec. 18.56.310. Energy efficiency grant fund.** (a) An energy efficiency grant  
20 fund is established in the corporation as a separate fund to provide grants for energy  
21 efficiency projects.  
22 (b) The corporation shall administer the energy efficiency grant fund as a fund  
23 separate from other funds of the corporation. The energy efficiency grant fund consists  
24 of money appropriated to the fund by the legislature to provide grants for energy  
25 efficiency projects.  
26 (c) The energy efficiency grant fund is not a dedicated fund.  
27 (d) The corporation may provide grants from the energy efficiency grant fund  
28 to  
29 (1) municipalities and unincorporated communities for energy  
30 efficiency improvements of municipal or unincorporated community buildings or to  
31 enhance the energy efficiency of buildings to be constructed;  
01 (2) school districts for energy efficiency improvements of schools or  
02 other school district buildings or to enhance the energy efficiency of schools or other  
03 school district buildings to be constructed; and  
04 (3) the University of Alaska for energy efficiency improvements of  
05 university buildings or to enhance the energy efficiency of university buildings to be  
06 constructed.  
07 (e) For a new construction project to qualify for a grant under this section, the  
08 project must be designed and constructed in accordance with applicable standards  
09 listed in the most recently published edition of the ASHRAE/IESNA Standard 90.1,  
10 Energy Standard for Buildings Except Low-Rise Residential Buildings, as published  
11 by the American Society of Heating, Refrigerating, and Air-Conditioning Engineers or  
12 the minimal standards listed in the Leadership in Energy and Environmental Design  
13 rating system for a certified building.  
14 (f) In awarding grants from the energy efficiency grant fund under this  
15 section, the corporation shall give priority to projects that  
16 (1) propose the highest level of energy savings for each dollar spent;  
17 (2) have obtained funding for the project from sources other than state  
18 sources.  
19 (g) The corporation shall adopt regulations necessary to carry out the  
20 provisions of this section.  
21 \* **Sec. 6.** AS 35.10 is amended by adding a new section to article 1 to read:  
22 **Sec. 35.10.085. Alternative energy for public works.** (a) When preparing and  
23 adopting plans and specifications and determining standards for the construction of a  
24 public work under AS 35.10.010, the department shall review the option of using a  
25 viable alternative energy system for heat or electrical power for the public work.  
26 (b) If a viable alternative energy resource is available and can be used as a  
27 primary or secondary source of heat or electrical power or the department determines a  
28 viable alternative energy source will become available, a public work constructed  
29 under this chapter shall be constructed to accommodate or be compatible with the  
30 viable alternative energy system.  
31 (c) In this section, "viable alternative energy system" means a system that uses  
01 a nonfossil fuel fired system for heat or electrical power that, if used over the course of  
02 the life of the facility, will cost not more than a fossil fuel fired system to purchase,  
03 install, maintain, and operate and will have less measurable adverse effect on the  
04 environment than a fossil fuel fired system.  
05 \* **Sec. 7.** AS 36.30 is amended by adding a new section to read:  
06 **Sec. 36.30.323. Preference for energy efficient appliances, equipment, and**  
07 **vehicles.** (a) The commissioner shall, by regulation, provide for a preference for  
08 appliances and equipment that have received an Energy Star under the Energy Star

09 program of the United States Environmental Protection Agency and the United States  
 10 Department of Energy when equipment and appliances are being procured by the state.  
 11 If Energy Star equipment or appliances are not available for a procurement, preference  
 12 shall be given to the most energy efficient equipment or appliances that are available.

13 (b) The commissioner shall, by regulation, set standards for the procurement  
 14 of energy-efficient vehicles when state vehicles are being replaced.

15 \* **Sec. 8.** AS 42.45.045(d) is amended to read:

16 (d) The authority shall, in consultation with the advisory committee  
 17 established under (i) of this section and the Department of Natural Resources,

18 (1) develop a methodology for determining the order of projects that  
 19 may receive assistance, including separate requirements for grant eligibility, and adopt  
 20 regulations identifying criteria to evaluate the benefit and feasibility of projects for  
 21 which an applicant applies for support from the legislature, with the most weight being  
 22 given to projects that serve any area in which the average cost of energy to each  
 23 resident of the area exceeds the average cost to each resident of other areas of the  
 24 state, and significant weight being given to a statewide balance of grant funds, [AND]  
 25 to the amount of matching funds an applicant has verified to the authority that are  
 26 [IS ABLE TO MAKE] available for a project, and to projects that are likely to  
 27 have a financial benefit that exceeds the amount of grant funds received;

28 (2) make recommendations to the legislature for renewable power  
 29 production reimbursement grants; [AND]

30 (3) not later than 10 days after the first day of each regular legislative  
 31 session, submit to the legislature a report summarizing and reviewing each grant  
 01 application submitted under this section and a recommended priority for awarding  
 02 grants; and

03 (4) require activity reports for each project funded at intervals  
 04 determined by the authority.

05 \* **Sec. 9.** AS 42.45.045 is amended by adding a new subsection to read:

06 (m) The authority shall enter into a contract or agreement with an economist  
 07 with experience in the area of renewable energy for the economist to prepare a written  
 08 evaluation for each project the authority recommends under (e) of this section and  
 09 submit a report to the legislature detailing the results of the evaluation.

10 \* **Sec. 10.** AS 42.45 is amended by adding a new section to article 5 to read:

11 **Sec. 42.45.260. Fuel purchasing cooperative.** (a) The authority shall organize  
 12 or provide for the organization of a statewide fuel purchasing cooperative, or may  
 13 participate with others in the organization of a statewide fuel purchasing cooperative,  
 14 and shall adopt regulations to allow communities, utilities, and school districts to  
 15 participate in a statewide fuel purchasing cooperative.

16 (b) The authority shall create a procedure by which a community that is not  
 17 eligible initially to participate in the fuel purchasing cooperative under this section  
 18 may join the cooperative at a later date by providing satisfactory proof to the authority  
 19 that good standing has been restored.

20 \* **Sec. 11.** AS 42.45 is amended by adding a new section to read:

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

22 **Sec. 42.45.375. Emerging energy technology fund.** (a) 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 interdisciplinary research unit of the  
 30 arm of the College of Engineering and Mines of the University of Alaska known as the  
 31 Alaska Center for Energy and Power, whose mission is to research energy sources and  
 01 the way in which energy fits into the state's economic development, but the Alaska  
 02 Center for Energy and Power may contract for the investment of money appropriated  
 03 to the fund but not disbursed for a grant. The Alaska Center for Energy and Power, in  
 04 consultation with the advisory committee established under (f) of this section, may  
 05 make grants from the fund to eligible applicants for

06 (1) research, development, or demonstration projects designed to

07 (A) test new energy technologies or methods of conserving  
 08 energy; or

09 (B) improve an existing energy technology; and

10 (2) applied research projects that employ energy technology with a  
 11 reasonable expectation that the technology will be commercially viable in not more  
 12 than five years.

13 (d) In making grants under this section, the Alaska Center for Energy and  
 14 Power, in consultation with the advisory committee established under (f) of this  
 15 section, shall give priority to

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

17 (2) projects that demonstrate partnership with the University of Alaska  
 18 or another Alaska postsecondary institution; and

19 (3) projects supported by matching funds or in-kind partnerships.

20 (e) If the University of Alaska alters the status of the Alaska Center for Energy  
 21 and Power, the president of the University of Alaska shall promptly notify the revisor  
 22 of statutes and the presiding officer of each house of the state legislature of that  
 23 change.

24 (f) An advisory committee is established and consists of five members. Each  
 25 member of the committee shall have a degree in science or engineering and at least  
 26 two years of experience working in the state. Members of the committee shall be  
 27 appointed by the governor to staggered three-year terms. The committee consists of  
 28 one representative of each of the following groups:

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

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

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

01 (4) the Denali Commission established under P.L. 105-277 and

02 mentioned in a note at 42 U.S.C. 3121;

03 (5) a department or agency of the state.

04 (g) A member of the advisory committee appointed under (f) of this section  
 05 serves without compensation but is entitled to per diem and travel expenses as

06 provided in AS 39.20.180.

07 (h) In this section,

08 (1) "eligible applicant" means

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

11 (B) an independent power producer;

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

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

15 (E) a nonprofit organization.

16 (2) "energy technology" means technology that promotes, enhances, or  
17 expands the diversity of available energy supply sources or means of transmission,  
18 increases energy efficiency, or reduces negative energy-related environmental effects;  
19 "energy technology" includes technology related to renewable sources of energy,  
20 conservation of energy, enabling technologies, efficient and effective use of  
21 hydrocarbons, and integrated energy systems;

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

23 \* **Sec. 12.** AS 43.20.021(d) is amended to read:

24 (d) Where a credit allowed under the Internal Revenue Code is also allowed in  
25 computing Alaska income tax, it is limited to 18 percent for corporations of the  
26 amount of credit determined for federal income tax purposes that [WHICH] is  
27 attributable to Alaska. This limitation does not apply to a special industrial incentive  
28 tax credit under AS 43.20.042 or to a renewable energy production tax credit  
29 under AS 43.20.046.

30 \* **Sec. 13.** AS 43.20 is amended by adding a new section to article 1 to read:

31 **Sec. 43.20.046. Renewable energy production tax credit.** (a) An energy  
01 producer that produces renewable energy may claim a renewable energy production  
02 tax credit in the amount of 15 percent of the retail rate for each kilowatt-hour of  
03 electricity charged by the energy producer, as determined by the Regulatory  
04 Commission of Alaska; however, a tax credit may not be less than 2.1 cents for each  
05 kilowatt-hour of renewable energy produced or more than five cents for each kilowatt-  
06 hour of renewable energy produced.

07 (b) An energy producer may claim a renewable energy tax credit under this  
08 section for each kilowatt-hour of renewable energy produced or sold for each of the  
09 first five tax years after the date the capital investment used to produce renewable  
10 energy is placed into service if the energy producer sells all or part of the energy  
11 produced.

12 (c) A renewable energy tax credit under this section may be claimed only for a  
13 capital investment

14 (1) to produce renewable energy that is placed into service on or after  
15 July 1, 2009; or

16 (2) to expand production of renewable energy if the investment for  
17 production expansion is made on or after July 1, 2009.

18 (d) An unused renewable energy tax credit under this section may be carried  
19 forward and applied against the tax liability of the energy producer.

20 (e) A renewable energy tax credit provided under this section may be sold,  
21 assigned, exchanged, conveyed, or otherwise transferred, in whole or in part.

22 (f) A taxpayer acquiring a renewable energy tax credit under (a) or (e) of this  
23 section may use the tax credit or a portion of the tax credit to offset taxes imposed  
24 under this chapter. Any portion of the credit not used may be used at a later time or  
25 transferred under (e) of this section.

26 (g) A renewable energy tax credit acquired under (a) or (e) of this section,  
27 when combined with any state aid that the energy producer receives for the capital  
28 investment made to produce renewable energy for which the credit is acquired, may  
29 not exceed 10 percent of the energy producer's capital investment for production of  
30 renewable energy, aggregated over the five years within which the credit is allowed to  
31 be claimed under (b) of this section.

01 (h) An energy producer that claims a renewable energy tax credit under this  
02 section and that wishes to transfer the unused tax credit to a taxpayer under (e) of this  
03 section may apply to the department for a transferable tax credit certificate. An  
04 application under this subsection must be in a form prescribed by the department and  
05 must include supporting information and documentation that the department  
06 reasonably requires. The department shall grant or deny the tax credit certificate, or  
07 grant the tax credit certificate as to a lesser amount than that for which application is  
08 made and deny it as to the excess, not later than 120 days after it receives the  
09 application.

10 (i) An energy producer that uses a renewable energy production tax credit to  
11 offset the tax imposed by this chapter or transfers the credit under (e) of this section  
12 may not also claim the federal renewable energy credit under 26 U.S.C. 45, authorized  
13 by AS 43.20.021, for a capital investment associated with the production or expansion  
14 of renewable energy that generated the credit under this section.

15 (j) The department shall

16 (1) prescribe an application form for a tax credit under this section; and  
17 (2) adopt regulations necessary for the administration of this section.

18 (k) In this section,

19 (1) "capital investment" means an expenditure made

20 (A) as a cash expenditure or binding payment agreement for  
21 real property or tangible personal property used in this state in the production  
22 of renewable energy; and

23 (B) for an asset first placed in service for the production of  
24 renewable energy in the state during or before the tax year in which the credit  
25 is claimed; in this subparagraph, "placed in service for the production of  
26 renewable energy in the state" means that the first use of the capital investment  
27 is in this state; if the property on which the claim of the credit is based has  
28 been used elsewhere in the tax year of acquisition and is brought to this state  
29 during that year or a subsequent year, the property does not qualify as a capital  
30 investment;

31 (2) "energy producer" means

01 (A) an electric utility or independent power producer holding a  
02 certificate of public convenience and necessity under AS 42.05; or

03 (B) an independent power producer producing more than 100  
04 kilowatts of electricity from renewable energy;

05 (3) "renewable energy" means geothermal, solar, hydroelectric, wind,  
06 biomass, hydrokinetic or tidal, and wave energy.

07 \* Sec. 14. AS 44.42.065 is amended to read:

08 **Sec. 44.42.065. Energy use index database maintenance; energy audit**

09 [CONSERVATION OF ENERGY IN PUBLIC BUILDINGS]. (a) The department  
10 shall

11 (1) update the energy use index database established in  
12 AS 44.83.955 not later than December 31 of each year; and

13 (2) conduct [, AT LEAST ONCE EVERY SEVEN YEARS,  
14 PERFORM] an energy audit of each public facility whenever, in updating the  
15 energy use index under (1) of this subsection, the department determines there is  
16 substantial energy inefficiency for the public facility [BUILDING].

17 (b) The department shall include in each energy audit required by (a)(2) [(a)]  
18 of this section recommendations for corrective measures to improve the energy  
19 efficiency and to minimize the life-cycle cost of the public facility [BUILDING]  
20 surveyed. These measures may include (1) energy conservation measures, (2)  
21 measures involving solar technology and other renewable [ALTERNATIVE] energy  
22 systems, (3) energy management, and (4) maintenance and operating procedures and  
23 energy-related modifications. In recommending the corrective measures, the  
24 department shall give priority to changes in maintenance and operating procedures  
25 over measures requiring substantial structural modification or installation of  
26 equipment.

27 (c) In this section, "energy audit" means a determination of

28 (1) the energy consumption characteristics of a public facility  
29 [BUILDING], including the size, type, and rate of energy consumption of major  
30 energy-consuming systems of the public facility [BUILDING] and the climate  
31 characterizing the region where the public facility [BUILDING] is located; and

01 (2) a determination of the energy conservation and cost savings likely  
02 to result from appropriate energy-conserving maintenance and operating procedures  
03 and modifications, including the purchase and installation of energy-related fixtures.

04 \* Sec. 15. AS 44.42.065 is amended by adding a new subsection to read:

05 (d) The department shall annually, not later than December 31, determine an  
06 appropriate energy conservation target for each public building and report the energy  
07 conservation targets for all buildings to each agency of the state.

08 \* Sec. 16. AS 44.42 is amended by adding a new section to read:

09 **Sec. 44.42.067. Retrofits; performance contracting for energy efficiency.**

10 (a) In addition to its obligation under AS 44.42.065, the department shall

11 (1) retrofit all public facilities listed in the energy use index described  
12 in AS 44.83.955; and

13 (2) retrofit, replace, or redesign inefficient lighting fixtures to be as  
14 efficient as possible while meeting federal guidelines.

15 (b) In carrying out the duty under (a) of this section, the department may, if no  
16 other funding or partial funding for a project is available,

17 (1) enter into an energy performance contract; and

18 (2) administer a performance contract for a public facility by  
19 contracting with an energy service company that is a member of the National  
20 Association of Energy Service Companies.

21 (c) If the department uses an energy performance contract under (b) of this  
22 section for a project retrofitting a public facility, the contract may also include  
23 renewable energy projects and capital improvements not related to energy retrofitting.

24 (d) The department shall manage its duties under (a) of this section so that the  
25 retrofitting of public facilities identified in the energy use index database described in  
26 AS 44.83.955 shall be completed not later than 15 years after completion of the energy  
27 use index database.

28 (e) If the department determines that an energy retrofit described under (a) of  
29 this section is not cost-effective, the department may postpone the retrofit until it is  
30 determined to be cost-effective or additional capital improvements are required. In  
31 making the determination under this subsection, the department may consider if the  
01 energy retrofit will be able to meet a return on investment within 15 years after the  
02 project is completed.

03 (f) Any retrofit, new construction, or deferred maintenance of a public facility  
04 performed under this section must meet or exceed the most recently published edition  
05 of the ASHRAE/IESNA Standard 90.1, Energy Standard for Buildings Except for  
06 Low-Rise Residential Buildings, as published by the American Society of Heating,  
07 Refrigerating and Air-Conditioning Engineers.

08 (g) In this section,

09 (1) "performance contract" means an agreement for the provision of  
10 energy services and equipment in which a private entity or qualified third party agrees  
11 to finance, design, construct, install, maintain, operate, or manage energy systems or  
12 equipment to improve the energy efficiency of, or produce energy for, a facility in  
13 exchange for a portion of the cost savings, lease payments, or specified revenue, and  
14 by which the level of payments is made contingent on verified energy savings, energy  
15 production, avoided maintenance, avoided energy equipment replacement, or any  
16 combination of verified energy savings, energy production, avoided maintenance, or  
17 avoided energy equipment replacement;

18 (2) "public facility" means a facility owned or controlled and held by  
19 the state for government or public use.

20 \* Sec. 17. AS 44.83.080 is amended by adding a new subsection to read:

21 (b) In furtherance of its corporate purpose, the authority shall annually plan  
22 and conduct, in cooperation with the Alaska Housing Finance Corporation, a public  
23 education campaign to promote energy efficiency and conservation.

24 \* Sec. 18. AS 44.83 is amended by adding a new section to read:

25 **Sec. 44.83.955. Energy use index.** (a) The authority shall

26 (1) develop an energy use index for public facilities to measure  
27 baseline energy consumption;

28 (2) establish an energy use index database to include baseline energy  
29 use data for all public facilities evaluated in (1) of this subsection; and

30 (3) adopt regulations establishing the methodology to be used in  
31 determining the energy use index described in (1) of this subsection.  
01 (b) In this section, "public facility" means a facility owned or controlled and  
02 held by the state for government or public use.

\* **Sec. 19.** AS 44.99 is amended by adding a new section to read:  
04 **Sec. 44.99.115. Declaration of state energy policy.** The State of Alaska  
05 recognizes that the state's economic prosperity is dependent on available, reliable, and  
06 affordable residential, commercial, and industrial energy to supply the state's electric,  
07 heating, and transportation needs. The state also recognizes that worldwide supply and  
08 demand for fossil fuels and concerns about global climate change will affect the price  
09 of fossil fuels consumed by Alaskans and exported from the state to other markets. In  
10 establishing a state energy policy, the state further recognizes the immense diversity of  
11 the state's geography, cultures, and resource availability. Therefore, it is the policy of  
12 the state to

(1) institute a comprehensive and coordinated approach to supporting  
13 energy efficiency and conservation by

(A) establishing statewide energy efficiency codes for new and  
14 renovated public buildings and by assisting local communities interested in  
15 adopting energy efficiency codes for new and renovated residential and  
16 commercial buildings;

(B) decreasing public building energy consumption through  
17 conservation measures and energy-efficient technologies; and

(C) educating state residents on the benefits of energy  
18 efficiency and conservation, including dissemination of information on state  
19 and federal programs that reward energy efficiency;

(2) encourage economic development by

(A) promoting the development of renewable energy resources,  
20 including geothermal, wind, solar, hydroelectric, hydrokinetic, tidal, and  
21 biomass energy, for use by Alaskans and for export;

(B) promoting the development, transport, and efficient use of  
22 nonrenewable energy resources, including natural gas, coal, oil, gas hydrates,  
23 and heavy oil, for use by Alaskans, for export, and as feedstock for value-  
24 added enterprises;

(C) working to identify and assist with development of the  
25 most cost-effective, long-term sources of energy for each community  
26 statewide;

(D) creating and maintaining a state fiscal regime that  
27 encourages private sector development of the state's energy resources;

(3) support energy research, education, and workforce development by  
28 investing in

(A) training and education programs that address energy  
29 conservation, efficiency, and availability, including programs that address  
30 workforce development and workforce transition; and

(B) applied energy research and development of emerging  
31 technologies, including university programs, to achieve reductions in state  
01 energy costs and stimulate industry investment in the state;

(4) coordinate governmental functions by

(A) actively collaborating with federal agencies to achieve the  
02 state's energy goals and to meet national emissions, renewable energy, and  
03 energy production targets; and

(B) reviewing and streamlining regulatory processes and  
04 balancing the economic costs of review with the level of review necessary to  
05 protect the public interest.

\* **Sec. 20.** AS 45.88.010 is amended by adding a new subsection to read:  
22 (e) The fund consists of

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

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

(3) principal and interest payments or other income earned on loans or  
26 investments in the fund and appropriated to the fund.

\* **Sec. 21.** AS 45.88.020(a) is amended to read:  
28 (a) The department may

(1) make loans for the purchase, construction, and installation of  
29 alternative energy systems that are located in the state;

(2) adopt regulations necessary to carry out the provisions of  
30 AS 45.88.010 - 45.88.090, including regulations to establish reasonable fees for  
01 services provided and charges for collecting the fees;

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

\* **Sec. 22.** AS 45.88.030 is amended by adding new subsections to read:  
06 (f) A loan must be secured by a mortgage or other security instrument in the  
07 real property to be improved, and a lien on the improvements financed under  
08 AS 45.88.010.

(g) The interest rate

(1) may not exceed the maximum rate of eight percent a year and may  
09 not be less than five percent a year;

(2) shall be established by the department based on the bank prime rate  
10 listed in the Wall Street Journal during the previous quarter plus one percentage point,  
11 set to the nearest one-half point for loans made; and

(3) set for a quarter remains in effect until the department changes the  
12 rate.

\* **Sec. 23.** AS 45.88.090(a) is amended to read:  
17 (a) In AS 45.88.010 - 45.88.090, "alternative energy system"

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

(2) includes

(A) an alternative energy property as defined by 26 U.S.C.  
24 48(a)(3)(A) (Sec. 301, P.L. 95-618, Internal Revenue Code);

(B) a method of architectural design and construction which  
25  
26

27 provides for the collection, storage, and use of direct radiation from the sun;  
28 (C) a woodstove with a catalytic converter or a catalytic  
29 converter for a wood stove; [AND]  
30 (D) a steam, hot water, or ducted hot air central heating system  
31 that uses wood or coal for fuel; and  
01 (E) a high efficiency wood pellet stove;  
02 (3) does not include  
03 (A) a stove that uses only [WOOD,] coal, [OR] oil, or  
04 unprocessed wood for fuel; or  
05 (B) a fireplace or fireplace insert.

06 \* **Sec. 24.** AS 45.88.010(c), 45.88.030(e), and 45.88.040(a) are repealed.

07 \* **Sec. 25.** AS 43.20.046 is repealed January 1, 2025.

08 \* **Sec. 26.** The uncodified law of the State of Alaska is amended by adding a new section to  
09 read:

10 EXHAUSTION OF UNUSED RENEWABLE ENERGY PRODUCTION TAX  
11 CREDITS. Notwithstanding the repeal of AS 43.20.046 by sec. 25 of this Act, an unused  
12 portion of a tax credit acquired under AS 43.20.046(a) or (e), enacted by sec. 13 of this Act,  
13 may be carried forward until exhausted, except that the unused portion of the tax credit may  
14 not be carried forward to tax years beginning after December 31, 2025.

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

17 ENERGY USE INDEX DATABASE. The Alaska Energy Authority shall establish  
18 the energy use index database described in AS 44.83.955, added by sec. 18 of this Act, not  
19 later than six months after the effective date of this Act.

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

22 ENERGY PERFORMANCE REPORT. Not later than January 31 of each of the three  
23 years following the completion of an energy retrofit project, the Department of Transportation  
24 and Public Facilities shall submit to the legislature an energy performance report detailing the  
25 effectiveness of the energy efficiency measures provided for in secs. 14, 16, and 18 of this  
26 Act.

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

29 STATE AGENCY ENERGY USE REDUCTION PLAN AND REPORTS. The  
30 Department of Administration shall, in consultation with the Department of Transportation  
31 and Public Facilities, submit a plan to the legislature not later than December 1, 2010, to  
01 reduce state agency energy use by 10 percent by 2015 and, until that date, shall annually  
02 report to the legislature and the public on progress achieved in implementing the plan.