



*Photo by: Cassandra Cerny, GVEA*



# Alaska Energy Authority

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Alaska Affordable Energy Strategy Update  
8/3/2015

# Senate Bill 138

## Alaska Affordable Energy Strategy

Plan and recommendations to the Legislature on infrastructure needed to deliver affordable energy to areas in the state that do not have direct access to a North Slope natural gas pipeline.

Due: January 1, 2017



### LAWS OF ALASKA

2014

Source  
HCS CSSB 138(FIN) am.H

Chapter No.  
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#### AN ACT

Relating to the limitation on the value of property taxable by a municipality; relating to the Alaska Gasline Development Corporation; relating to an in-state natural gas pipeline, an Alaska liquefied natural gas project, and associated funds, requiring state agencies and other entities to expedite reviews and actions related to natural gas pipelines and projects; making certain contracts by the Department of Natural Resources and the Department of Law not subject to the State Procurement Code; relating to the authorities and duties of the commissioner of natural resources relating to a North Slope natural gas project, oil and gas and gas only leases, and royalty gas and other gas received by the state including gas received as payment for the production tax on gas; relating to a report and recommendations by the commissioner of natural resources regarding the delivery and availability of North Slope natural gas in the state, including the identification of risks and recommendations for mitigation; relating to the tax on oil and gas production, on oil production, and on gas production; relating to the duties of the commissioner of revenue relating to a North Slope natural gas project and gas received as payment for tax; relating to confidential information and public record status of information provided to or in the custody of the Department of Natural Resources and the Department of Revenue; relating to apportionment factors of the Alaska Net Income Tax Act; amending the definition of gross value at the "point of production" for gas for purposes of the oil and gas production tax; clarifying that the exploration incentive credit, the oil or gas producer education credit, and the film production tax credit may not be taken against the gas production tax paid in gas; relating to the oil or gas producer education credit; requiring the commissioner of revenue to provide a report to the legislature on financing options for state ownership and participation in a North Slope natural gas project; requesting the governor to establish an advisory planning group to advise the governor on municipal involvement in a North Slope natural gas project; relating to the development of a plan by the Alaska Energy Authority for developing infrastructure to deliver affordable energy to areas of the state that will not have direct access to a North Slope natural gas pipeline and a recommendation of a funding source for energy infrastructure development; establishing the Alaska affordable energy fund; requiring the Department of

Enrolled SB 138

## **SB 138:**

### **Alaska Affordable Energy Fund**

Special account in the general fund to provide a source from which the legislature may appropriate money to develop infrastructure to deliver energy to areas of the state that are not expected to have or do not have direct access to a North Slope natural gas pipeline

- 20 percent of the revenue from the state's royalty gas from an Alaska LNG project (after the payment to the permanent fund)

# AkAES Planning Horizons

## Short-term:

1. With the current budget climate, what can the state do to maximize the reduction in community energy costs?
2. Test options prepare the state for the long-term plans

## Long-term: (2025 at the earliest)

1. How should the state invest money available through the Affordable Energy Fund to provide the maximum benefit to communities?

# AkAES: Definition of “Affordable”

Two primary options for using “Affordable” to allocate resources:

1. Need-based: “Affordable” includes the ability to pay
  - a. Some combination of energy unit prices and/or costs and median household income of the community
2. Need-blind: “Affordable” is a price or cost target
  - a. A goal for energy unit prices and/or costs

*Assumption:* Funding needs will always outstrip supply

The definition of “Affordable” impacts the allocation of resources and which types of policies to recommend, but not the research of how to reduce costs

# AkAES: Expected Outcomes

What AkAES is expected to develop:

- Prioritized list of program-level recommendations
  - Improvements to current programs
  - New programs (loans, grants, incentives, assistance) to fill identified gaps
  - Ways to cost effectively leverage regulations and requirements
- Useful tools and data for communities and regions to help prioritize projects

What AkAES is NOT going to develop:

- “Laundry list” of projects to be funded



# How Regional Plans will be used in AkAES

- Data QA/QC
- Building inventory
- Improving public awareness of energy issues
  - Helps to manage community expectations
  - Create tools to move projects forward
  - Initiating process for building community consensus regarding energy projects and project development
- Develop strategies for tackling energy affordability
- Provide context for the final policy recommendations to the Legislature



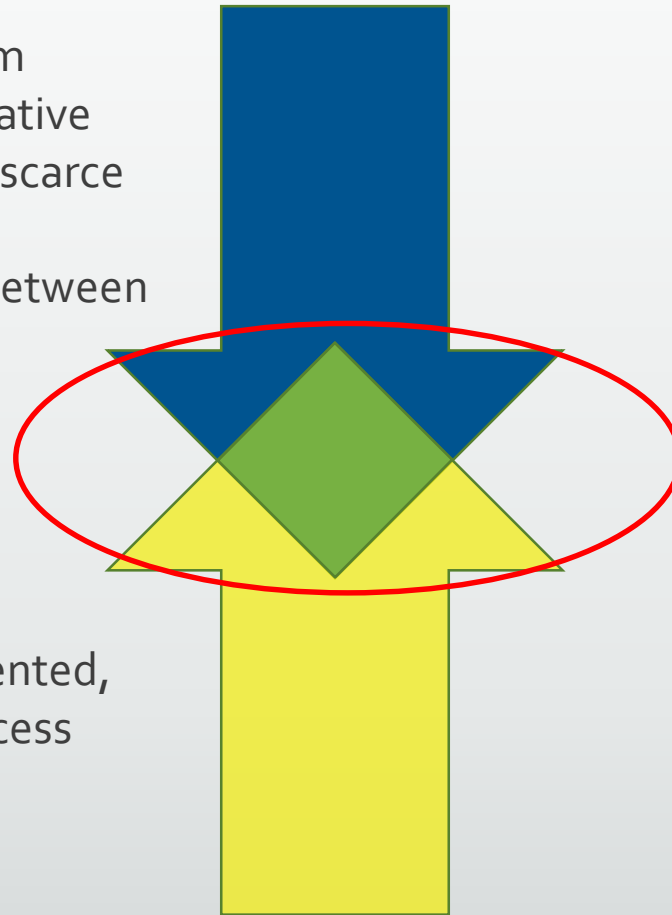
# AkAES & Regional Planning

## **AkAES:**

State-directed, program oriented, specific legislative mandate, allocation of scarce resources, economic & technical comparison between potential choices

## **Regional Planning:**

Grassroots, project oriented, community-driven process



Common elements between AkAES and Regional Plans



# Research Areas to Reduce Energy Cost

- End-use Efficiency
- Generation, Transmission, and Distribution
- Ownership & Management
- Transportation
- Direct subsidies

# AkAES Study Overview

**Phase 0:** 1) Do preliminary research, 2) develop study plan and budget, 3) identify partners and contractors

- 1 & 2 complete, 3 in progress

**Phase 1:** Data collection: Drivers for energy and project costs

- In progress



**Phase 2:** 20-year forecast for energy consumption, costs, and project benefits

- In progress

**Phase 3:** Develop strategies for reducing energy costs

- Scopes defined



**Phase 4:** Develop and evaluate potential policy options to implement strategies

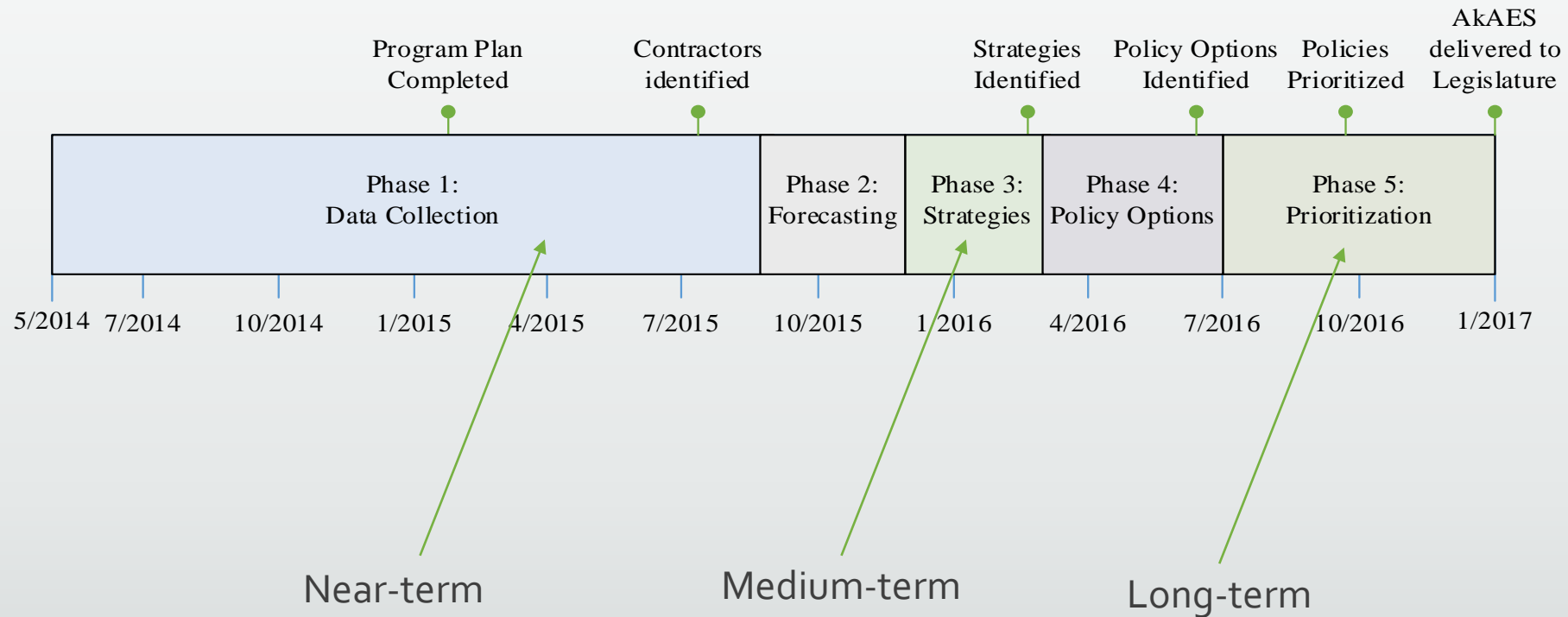
- Scopes defined

**Phase 5:** Prioritize policy options and develop EM&V plans

- Scopes defined



# Timeline



[AKEnergyAuthority.org](http://AKEnergyAuthority.org)

