



Alaska Power Association Legislative Session Wrap-up First Session of the 33rd Alaska Legislature

The 2023 Alaska legislative session followed a similar pattern to recent years. Fights over the size of the Permanent Fund Dividend (PFD) and how earnings from the Permanent Fund should be divided between funding the government and PFD checks created the major impasse by the end of session. To be sure, there were many other issues that divided legislators, but the PFD still occupies a special place in the echelon of gridlock.

By the time the 121st day of the session rolled around – the constitutional deadline – budget disagreements and process fights led to a regular session adjournment with no resolution on the budget. With the threat of a state government shutdown looming over everyone, Gov. Mike Dunleavy called a 30-day special session so lawmakers could sort it out.

It took just one day.

After a [\\$34 million capital projects amendment](#) was added to the budget by the Senate, the House found the votes to pass the Fiscal Year 2024 state budgets. Both houses were able to secure a July 1 effective date for the bill, thwarting a government shutdown and sending lawmakers home for the interim.

With the session adjourned, any bills that did not pass will freeze where they are until next session. The legislature can hold interim hearings on bills, but they cannot take any action on legislation until gaveling in next January. There is an expectation, however, that the governor will call a special session this fall to address potential revenue raising bills and any other matter the governor puts on the call.

For bills impacting Alaska Power Association’s members, it was another mixed bag year. APA advocated for a number of bills and provided input and recommendations to legislators on many others. Through it all, the association’s members provided the expertise and strength in numbers that is so impactful in Juneau.

Even though session is over, that doesn’t mean advocacy ends. APA will keep in touch with lawmakers throughout the interim on issues that matter to our members, and we hope you will too.

Keep reading for a review of where legislation APA is tracking stands as of the end of session and what was included in the FY24 budget that may impact electric utilities:

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- [House Bill 62 \(passed\)](#) – This legislation ended up making two impactful changes to the statutes that govern the Renewable Energy Grant Fund (REF). The REF program was set to terminate on June 30 of this year due to a sunset clause in the statute that requires reauthorization of the REF every 10 years. APA advocated strongly for the passage of HB 62 because of the importance of the REF program to our electric utility members. Legislators saw the importance as well, and the bill moved swiftly, by legislature standards, through the process. When it arrived in the Senate Finance Committee after passing the House, the committee decided it would be better to not have to worry about reauthorizing the REF every 10 years and simply removed the sunset clause. Following that change, the bill passed the Senate, the changes were agreed to by the House, and as of this report the bill is waiting to be sent to the governor.

The success with HB 62: the REF program was extended, this time permanently with the removal of the termination date in statute. (Keep reading for a report on the REF's Round 15 funding in this year's budget.)

- [Senate Bill 98 \(passed\)](#) – The Power Cost Equalization (PCE) Endowment Fund is crucially important for the PCE program's continued successful operation. The fund is invested by the state to spin off earnings that are used to fund the yearly PCE program needs with excess earnings available for appropriation to a range of programs, including the REF. Following nearly \$200 million in losses for the PCE Endowment over the past year, legislators on the Senate Finance Committee decided it was best to move management of the fund from the Department of Revenue (DOR) to the Alaska Permanent Fund Corporation (APFC). This move, lawmakers said, will result in larger earning for the Endowment along with more potential opportunities for excess earnings.

SB 98 passed the legislature and is waiting to be sent to the governor as of this report. APA was neutral on this bill after determining the shift in Endowment management would not have an impact on the operation of the PCE program.

- [Senate Bill 48 \(passed\)](#) – This bill establishes a carbon offset program on state land. The bill was filed by Gov. Dunleavy as part of a two-bill package seeking to monetize carbon management in Alaska. APA did not take a position on the bill, but a late-in-session amendment modified the bill to create an advantageous section for a program many electric utilities have benefited from. The change requires that 20

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percent of the revenue generated by a carbon offset program be deposited into the Renewable Energy Grant Fund.

Although the amount of funding this provision might generate for the REF is unclear, the language is a winner for electric utilities seeking funding from the REF. The FY24 budget funds the Round 15 REF projects from the state's general fund, which puts significant pressure on how much money lawmakers are willing to approve from what is essentially the state's checking account. In some past years, the REF has been funded by excess earnings of the PCE Endowment Fund, though that is not guaranteed each year. By having a new revenue stream for the REF, the program could benefit from the additional funds, though time will tell how lucrative the state's carbon offset program becomes.

- [Senate Bill 101](#)/[House Bill 121](#) (**did not pass**) – These companion bills seek to establish a government-mandated renewable portfolio standard for the Railbelt utilities. The bills are similar to legislation filed last session by Gov. Mike Dunleavy that did not pass. This year, Sen. Löki Tobin, D-Anchorage, and Rep. Jesse Sumner, R-Wasilla, filed the bills. While the legislation requires a number of items, at the crux of it all is a requirement that the Railbelt utilities generate power from 80 percent renewables by 2040. Both bills received one hearing in their committees of first referral this session, and that is where they remain. There is a possibility of interim hearings on these bills, and the House Special Committee on Energy has indicated it may hold hearings on the House version later this year.

One of APA's state policy positions calls for a pragmatic transition to clean energy that does not have negative impacts on reliability and rates. Clean energy projects are in operation across the state, and APA's electric utility members are pursuing additional projects that make economic and technical sense. As the legislature considers any legislation that mandates a certain generation mix, they should collaborate with electric utilities which are the ones responsible for providing safe, reliable, and affordable power to Alaskans.

- [Senate Bill 125](#)/[House Bill 154](#) (**did not pass**) – These companion bills would allow the Alaska Housing Finance Corporation (AHFC) to create a non-profit subsidiary that will provide financing for sustainable energy development projects in Alaska. What that means is the legislation would create a green bank in Alaska known as the Alaska Energy Independence Fund. The bills were filed by Gov. Dunleavy, and one of

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the intents behind the legislation is establishing a program that can receive federal funding from a variety of programs meant to support state green banks. Although the bills did not pass, officials from AHFC told APA they believe the state can still apply for forthcoming federal funds later this year.

APA sent a list of proposed amendments to both bills that the association and our electric utility members believe will make the legislation better and broader for electric utilities and their consumers. Although APA's proposed amendments were not included in the bills before session ended, the association will continue to work with and educate legislators during the interim and into next session. The state's electric utilities work hard to mitigate impacts on rates from new projects, and, if structured correctly, a green bank could be another tool for low-cost financing of future clean energy utility-scale projects.

- [Senate Bill 152](#) (**did not pass**) – Introduced during the last week of session, this bill would require a regulated electric utility to make a community energy program available to a subscriber organization that requests interconnection. The bill also requires that the utility obtain Regulatory Commission of Alaska approval of the utility's community energy plan. SB 152 was filed too late in session to get a hearing, but the bill only has one committee of referral, the Senate Labor and Commerce Committee, to go through once session starts next year. APA is working with our members to chart a path forward on the association's advocacy strategy. Stay tuned for more on SB 152 later this year.

Budget Items:

Like last session, the Alaska Senate combined the Fiscal Year 2024 capital, operating, and supplemental budgets into one document this year. The practical effect of this is to limit the options when it comes to negotiations between the House and Senate. By combining the budget bills into one, lawmakers must vote for all three bills at once instead of taking them one at a time and possibly using items in one bill as leverage over another bill.

Funding items that APA has been tracking were not the subject of controversy in this year's budget. That was left to the PFD and other government funding priorities.

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Below is a summary of some budget items of interest to APA's members (any omissions are unintentional):

- Alaska Energy Authority appropriations –
 - Bulk Fuel Upgrades - \$19 million
 - Alaska Grid Resilience and Reliability - \$13,927,102
 - Round 15 Renewable Energy Grant Fund projects - \$17 million*
 - Rural Power Systems Upgrades - \$32.5 million
 - Hydroelectric Development - \$5 million
 - Electric Vehicle Charging Equipment Deployment- \$1.6 million
 - AEA Owned Facilities - \$781,300
 - Rural Energy Assistance - \$6.8 million
 - Renewable Energy and Efficiency Programs - \$5 million
 - New Energy Audit Training (IIJA Funds) - \$63,000
 - New Energy Efficiency Revolving Loan Fund - \$3.7 million
 - Home Energy and High Efficiency Rebate Allocations - \$74.5 million
 - Defense Community Infrastructure Program - \$12.7 million
 - State Energy Program IIJA Formula - \$2.8 million
- Department of Commerce, Community and Economic Development appropriations -
 - Power Cost Equalization
 - \$48.049 million (full funding)

*The Round 15 REF projects funding started at \$7.5 million. This amount was increased near the end of session to the current \$17 million, which should fund the first 18 projects on the [Round 15 projects recommendation list](#).

What's Next:

Now that the budget and other bills have passed the legislature, Gov. Dunleavy must decide what actions to take. The governor can take one of three actions on a bill: he can veto it, sign it, or not sign it and it still becomes law (this is to prevent what's known as a "pocket veto," where a governor refuses to sign a bill passed by the legislature to prevent it from becoming law).

For budget bills, the process is largely the same but with a few additional considerations: the governor can line-item veto individual appropriations in the budget. The governor cannot add funds to line-items, but he can reduce funding amounts, or veto specific items. Alaska is also unique due to its constitutional provision for overriding a gubernatorial veto of a budget bill. Instead of the two-thirds vote required to override a veto of a non-budget

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bill, the legislature must achieve a three-quarters vote to override the veto of a spending bill. This is a high bar to clear with a sharply divided legislature.

Heading into the interim, APA will continue to engage with lawmakers on issues important to our members. Even though session is over, and no more action can be taken on bills, interim meetings can go far to moving the needle on issues important to the APA membership.

As the unified voice of Alaska's electric utilities, APA will continue to advocate for our members and support their mission of providing safe, reliable, and affordable power to Alaskans.

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