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Governor's Alaska Highway Natural Gas Policy Council
Office of the Governor, State of Alaska

Dear Co-Chairs, and other prominent Alaskan council members:

The Governor created the Alaska Highway Natural Gas Policy Council to analyze the many issues related to gas development and to make recommendations that can be incorporated into gas line legislation and project development. As "one of the smartest, most experienced and highly dedicated group of Alaskan ever assembled for a single purpose, " I wish to express to this group the views and recommendations about an issue that will certainly, and without question, maximize an important benefit for all Alaskans, as the governor has mandated and our state constitution requires.

Many states have adopted system benefits programs to fund public benefit programs. Several of my colleagues and I in the energy field are proposing the creation of an Alaska systems benefit program that would eventually fund all statewide energy efficiency programs and renewable energy resource research, development, and procurement programs in the state of Alaska. We call this program the "*Alaska Energy Futures Trust.*" The goal of the AEFT is for Alaska to be totally powered by renewable energy by 2051 and energy efficiency programs are an important part of this transition.

This goal—for Alaska to become 100 percent dependent on renewable energy in 50 years—is, without argument, a conservative, reasonable, attainable and most desirable goal. It dovetails well into the self-sufficiency philosophy of all independent-minded Alaskans. This goal can be achieved through the creation of *the Alaska Energy Futures Trust.* The AEFT would grow as a dedicated percent of the income and revenue from the state's royalty gas, taxes and pipeline tariff charges are deposited into it. Economic efficiency, environmental protection, and ensuring all Alaskan consumers receive a fair share of the natural gas and pipeline benefits are conclusive reasons for supporting the AEFT creation.

The AEFT will provide a flexible and transparent mechanism for funding energy efficiency programs and renewable energy resource research, development and procurement programs in the state of Alaska. Moreover, it will free up capital from current limited-funding sources, such as the Alaska Housing Finance Corporation. At this time, market transformation is the

most common barrier for programs and activities involving renewable energy resource procurement in gaining a foothold in the market. However, renewable energy resources are inevitable, and all Alaskans who do not currently embrace this view will do so eventually.

AEFT can comfortably meet the political, regulatory, economic, and social objectives in a variety of situations to forward this future inevitability. In the early years of the AEFT, proceeds could be used to assist in financing traditional power delivery systems such as pipelines, gas turbines, fuel conversion systems, and transmission lines. Combustion technology could continue as the transition to non-combustion technology, such as fuel cells, become more economical to purchase and operate. Eventually construction of renewable energy power and delivery systems would be funded by the AEFT. Renewable energy resources, as a distributed generation resource, will provide better utilization of the distribution system and allow generation to be sited closer to loads, thus reducing the losses now associated with a central power plant.

In tandem with this transition, and from its inception, the AEFT would also be used finance all energy efficiency programs including the low-income weatherization program, energy efficiency mortgage program, residential rebate programs and home energy rating services and training and educational activities.

Today the barriers for funding all energy efficiency programs and renewable energy resource programs in the state of Alaska not only include capital limitations, but also information costs, performance uncertainties, access to financing, product availability, and the uncertain and fluctuating prices of oil and gas. Recognizing this, the council should recommend and the lawmakers and regulators should established the AEFT for funding energy efficiency and renewable energy programs in the state of Alaska so as to target the market transforming activities and become the leader in the Arctic and sub-arctic region. An important purpose for the creation of the AEFT is to reduce total energy service costs for all Alaskans, and this is consistent with the broad public policy goal of economic efficiency. Any cost effectiveness tests that are applied over the projected life of funded programs must also include environmental and health benefits.

Environmental protection is another broadly recognized policy benefit that arises from the AEFT. More efficient use of energy resources and the use of renewable energy resources will produce avoided environmental emissions from the site of primary fuel production, fuel transportation and storage, and final consumption. As Alaska uses the AEFT to fund the energy efficiency and renewable energy programs, air pollutant emissions and the emissions of greenhouse gases will reduce. And, as we are well aware of, the Arctic and

sub-Arctic are particularly vulnerable to the smallest environmental fluctuations.

The levels of funding for the AEFT is a detail that will obviously gain more scrutiny as acceptance to this proposal grows and is not within the scope of this testimony. The rationale for the AEFT is to meet our goal for Alaska to rely on 100 percent renewable energy within 50 years. The AEFT program promotes the use of renewable energy and energy efficiency in overcoming the market barriers that all new technologies face and eventually will bring them to a point of cost competitiveness with other supply resources. Moreover, at the same time, it allows for a smooth and cost effective transition period.

Thank you for this opportunity to present this proposal and explore these issues.

Todd Hoener