

January 31, 2020

The Honorable Cathy Giessel
President of the Senate
Alaska State Legislature
State Capitol Room 111
Juneau, Alaska 99801

The Honorable Bryce Edgmon
Speaker of the House
Alaska State Legislature
State Capitol Room 208
Juneau, Alaska 99801

Dear President Giessel and Speaker Edgmon,

As required by Alaska Statute AS 42.45.045(d) (3), the Alaska Energy Authority (AEA) provides this update to the Legislature on the status of the Renewable Energy Fund (REF).

From 2008 through 2019, appropriations totaling \$268 million were made for expenditures to REF projects. State funding has been matched with hundreds of millions of dollars from other sources to develop renewable energy projects designed to reduce and stabilize the cost of energy in Alaska.

Throughout Alaska, REF has provided funding for qualifying and competitively selected renewable energy projects. As the program has matured, the quality of the proposed projects has improved, and the knowledge base for designing, constructing and operating renewable energy projects in Alaska's diverse climates and terrain has expanded.

Performance and Savings

- Operational projects have an estimated return of more than two dollars for every dollar invested.
- Wind technology operational projects make up 25 percent of operational projects.
- Biomass projects continue to come online and currently account for 21 percent of all operational projects.
- Heat recovery projects account for 24 percent of operational projects. These projects capture heat from diesel powerhouse engines and put that heat to use in buildings and water systems, displacing thousands of gallons of costly heating fuel.
- The majority of capital costs and future benefits will come from hydroelectric and wind projects. This is because of relatively large hydro and wind projects in more populated parts of the state including the Railbelt, Kodiak, and Sitka.

Recommended Projects

On December 3, 2019, AEA met with the Renewable Energy Fund Advisory Committee (REFAC), a nine member committee that assists AEA by offering valuable guidance and policy direction, and final funding recommendations. Because AEA has not solicited renewable energy applications since 2015, REFAC recently advised AEA that at this time it should not recommend any projects for funding.

AEA and REFAC do not have a list of specific projects to recommend for Fiscal Year 2021 funding. It is important to note that the last solicitation for applications resulted in 52 applications for projects to serve 95 communities, of which 38 projects were recommended for funding. It is from this list eight projects received \$11 million in funding in Fiscal Year 2019.

Should the Legislature appropriate funds to renewable energy projects for Fiscal Year 2021, AEA recommends these appropriations be placed into the REF account and held to allow AEA and REFAC time to solicit, evaluate, and develop a new list of renewable projects. The Legislature would later appropriate out of the REF account to specific projects based on AEA recommendations and legislative deliberations.

Next Steps

AEA expects a new solicitation for renewable projects to be released in March 2020. Proposals will be evaluated in 2020, with AEA providing recommendations to the Legislature for funding consideration in Fiscal Years 2022 and 2023. While the authorization of the REF grant program expires on June 30, 2023, if the program is extended a solicitation would be released in March 2022, and every two years thereafter.

For more than a decade, the REF has benefitted Alaskans by assisting communities across the state to reduce and stabilize the cost of energy. The program has created jobs, used local energy resources, and kept money in local economies. Investing in renewable energy will save Alaska communities millions of dollars for years to come.

Sincerely,

Curtis W. Thayer
Executive Director



CC: Alaska Energy Authority Board
Alaska State Legislature