



To: Dianna Robinson, Environmental Project Specialist, CBJ

From: Lori Sowa, VP and Director of Energy Services and Metering, AEL&P

Date: 10/30/2023

RE: On-Bill Financing

[Article 9. On-Bill Financing of Energy Efficiency and Conservation Improvements \(Alaska Statutes 42.05.750 – 42.05.756\)](#) sets requirements for On-Bill Financing (OBF) within the state of Alaska. A copy of these statutes is included for convenience.

**Is AEL&P interested in implementing an on-bill financing option for heat pumps?**

No, AEL&P is not pursuing on-bill financing. The reason for this is threefold:

1. There are requirements in the OBF statutes that are problematic for AEL&P. AS 42.05.750(d) requires the utility to offer each participating customer the option of purchasing a repair and maintenance agreement. AEL&P does not offer these services and would need to rely on a third party to provide this service. Further, the customer may decline this service under certain conditions per the statute. These factors combine to make this provision difficult to administer and assess costs for within our regulatory framework.
2. It is highly unlikely AEL&P can create a loan product that competes with the financing option currently offered through the True North Federal Credit Union heat pump loan program.
3. The statutes that enable OBF for regulated utilities like AEL&P specifically exclude rental properties unless the landlord is responsible for the entire electric bill, so renters would not benefit if AEL&P implemented an OBF program.

**What is AEL&P doing to support the adoption of heat pumps in the community?**

1. AEL&P routinely offers advice to homeowners who are interested in adding a heat pump through individual phone calls and information on our website. We frequently direct customers to Alaska Heat Smart for free home assessments and more information about how a heat pump can offset fossil fuel use and/or provide cost savings.
2. We currently have an in-house study underway looking at the energy savings that can be obtained in practice by adding heat pumps to rental properties that currently heat with electric resistance baseboards. This study is intended to determine the value to the grid of increasing energy efficiency in this setting, thus freeing up more electricity to be used for fuel-to-electric conversions.
3. AEL&P staff have served on the board of directors for Alaska Heat Smart since its inception and support the mission of Alaska Heat Smart to provide individualized information and advice to residents who are considering adding a heat pump. We regularly compile, analyze, and share data in support of this effort.