

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

March 6, 2007

8:00 a.m.

MEMBERS PRESENT

Representative Anna Fairclough, Co-Chair
Representative Gabrielle LeDoux, Co-Chair
Representative Nancy Dahlstrom
Representative Kurt Olson
Representative Sharon Cissna
Representative Woodie Salmon

MEMBERS ABSENT

Representative Mark Neuman

OTHER LEGISLATORS PRESENT

Representative Bryce Edgmon

COMMITTEE CALENDAR

HOUSE BILL NO. 152

"An Act establishing a renewable energy fund and describing its uses and purposes."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 152

SHORT TITLE: ESTABLISHING A RENEWABLE ENERGY FUND

SPONSOR(S): REPRESENTATIVE(S) HARRIS

02/26/07	(H)	READ THE FIRST TIME - REFERRALS
02/26/07	(H)	CRA, FIN
03/06/07	(H)	CRA AT 8:00 AM BARNES 124

WITNESS REGISTER

TOM WRIGHT, Staff
to the House Majority Office
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 152, on behalf of the sponsor, Representative John Harris.

KACI SCHROEDER HOTCH, Staff
to Representative Bill Thomas
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: During hearing of HB 152, answered questions.

CHRIS ROSE, Executive Director
Renewable Energy Alaska Project
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 152.

SARA FISHER-GOAD, Deputy Director, Project
Development/Operations
Alaska Industrial Development & Export Authority (AIDEA) and
Alaska Energy Authority (AEA)
Department of Commerce, Community, & Economic Development
Anchorage, Alaska

POSITION STATEMENT: Related recommendations for HB 152.

PETER CRIMP, Program Manager
Alaska Energy Authority (AEA)
Department of Commerce, Community, & Economic Development
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 152.

PHIL STEYER, Director of Government Relations
Corporate Communications
Chugach Electric Association, Inc.
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 152.

CONNIE FREDENBERG, Community Development
Aleutian Pribilof Islands Association
Anchorage, Alaska

POSITION STATEMENT: During hearing of HB 152, opined that it's time Alaska started developing its renewable resources.

KATE TROLL, Executive Director
Alaska Conservation Alliance
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 152.

GREG EGAN, Remote Power Inc.

Fairbanks, Alaska

POSITION STATEMENT: During the hearing of HB 152, emphasized the need to fund renewable energy programs.

REPRESENTATIVE BILL THOMAS

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Spoke as a co-sponsor of HB 152 and former sponsor of similar legislation last year.

MIKE MUSICK, General Contractor/Builder

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 152.

TODD HOENER, Energy Efficiency Specialist/Sustainable, Natural Alternative Power Program Administrator

Golden Valley Electric Association

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 152.

BRAD REEVE, General Manager

Kotzebue Electric Association

Kotzebue, Alaska

POSITION STATEMENT: Testified in support of HB 152 as written.

RICH SEIFERT, Energy & Housing Specialist

Cooperative Extension

University of Alaska - Fairbanks

Fairbanks, Alaska

POSITION STATEMENT: During hearing of HB 152, suggested use of the double benefit, double incentive system.

PETE KOMPKOFF

Chenega Bay, Alaska

POSITION STATEMENT: Testified in support of HB 152.

MICHAEL VIGIL

Chenega Bay, Alaska

POSITION STATEMENT: Testified in support of HB 152.

KATHRYN LAMAL, Vice President

Power Supply

Golden Valley Electric Association

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 152.

ACTION NARRATIVE

CO-CHAIR ANNA FAIRCLOUGH called the House Community and Regional Affairs Standing Committee meeting to order at [8:00:35 AM](#). Representatives Fairclough, Dahlstrom, Olson, Cissna, and Salmon were present at the call to order. Representative LeDoux arrived as the meeting was in progress. Also in attendance was Representative Edgmon.

HB 152-ESTABLISHING A RENEWABLE ENERGY FUND

[8:00:51 AM](#)

CO-CHAIR FAIRCLOUGH announced that the only order of business would be HOUSE BILL NO. 152, "An Act establishing a renewable energy fund and describing its uses and purposes."

[8:01:04 AM](#)

TOM WRIGHT, Staff to the House Majority Office, Alaska State Legislature, began by relating that HB 152 has been a collaborative effort between Representative Harris and Representative Thomas. He explained that the legislation establishes a fund through the Alaska Energy Authority (AEA) for grants or loans for renewable energy projects. The legislation further establishes an advisory committee to advise AEA on the types of projects being proposed for possible funding.

[8:02:52 AM](#)

REPRESENTATIVE SALMON pointed out that [natural] gas isn't considered a renewable energy, and therefore he questioned why it's included in the legislation.

[8:03:32 AM](#)

KACI SCHROEDER HOTCH, Staff to Representative Bill Thomas, Alaska State Legislature, acknowledged that natural gas isn't renewable energy. She explained that Representative Thomas wanted to provide areas in Alaska that don't have access to renewable resources a manner in which to reduce energy costs. The legislation, she highlighted, specifies that natural gas should be a last resort.

[8:04:24 AM](#)

REPRESENTATIVE CISSNA inquired as to the developmental priorities.

MR. WRIGHT referred to page 4, lines 8-22, of the legislation, which specifies the types of projects eligible for funding.

[8:06:27 AM](#)

REPRESENTATIVE CISSNA inquired as to the safeguard that some oil and gas wouldn't trump the renewable energy sources for grant monies.

MS. HOTCH pointed out that on page 5 the legislation specifies that not more than 5 percent of the fund can go to natural gas. She acknowledged that including natural gas is "opening the door" to some extent, and therefore it will be a point of discussion throughout the process.

CO-CHAIR FAIRCLOUGH pointed out that on page 2, subsection (b) establishes an advisory board, which doesn't include an oil or natural gas producer. Furthermore, on page 3, subsection (d) specifies what the authority shall do, including establishing rules and methodology for distribution and prioritization of the projects. Co-Chair Fairclough opined that the aforementioned will provide the safeguards.

[8:08:56 AM](#)

CHRIS ROSE, Executive Director, Renewable Energy Alaska Project (REAP), began by explaining that REAP is a statewide coalition of over 40 organizations interested in increasing renewable energy production in Alaska. Mr. Rose related his support of HB 152 and urged the committee to pass it out in its current form. Renewable energy resources, such as wind, hydro, and geothermal are mature energy industries today and are competitively priced. The aforementioned industries are growing rapidly due to fuel price volatility and concern with regard to stabilizing energy prices for consumers. Currently, the situation in the nation is one in which states are directly competing on this front. As is the case with other industries, governments that have created the best incentive packages are those experiencing the largest share of the billions of dollars being invested in this every year. In fact, 22 states have mandates providing that a certain percentage of electricity come from renewables and 14 states have renewable energy funds similar to that proposed in HB 152. Mr. Rose highlighted that Alaska has much better renewable resource development potential than most, if not all of these

states, and yet Alaska doesn't have a statewide policy to provide incentives for such development. The fund created under HB 152 would provide upfront capital for projects that don't have any fuel costs once in operation. Furthermore, the fund would highlight renewable energy development in Alaska, and thus send a message that the state is serious about developing those resources. Mr. Rose then directed attention to the language creating the advisory committee as it provides a mechanism for renewable energy stakeholders to assist AEA in developing the program. Mr. Rose concluded by opining that HB 152 is an excellent way for the state to provide incentives that will attract and increase renewable energy development in Alaska.

[8:12:34 AM](#)

SARA FISHER-GOAD, Deputy Director, Project Development/Operations, Alaska Industrial Development & Export Authority (AIDEA) and Alaska Energy Authority (AEA), Department of Commerce, Community, & Economic Development (DCCED), related that since renewable energy is a significant part of the work done at AEA, she looks forward to working with the sponsors and the committee to establish a renewable energy fund and program. Ms. Fisher-Goad noted that the committee packet should include a handout from AEA entitled, "Alternative Energy and Energy Efficiency Overview." She then paraphrased from the following recommendations [original punctuation provided]:

We recommend that the ability to make loans be removed from the fund. We believe that the loan provision is a duplication of the Power Project Fund [PPF]. The PPF is a long-standing AEA loan fund that is available for energy projects. Three of the most recent loans from this fund were for renewable energy projects. Chena Power's geothermal project, the City of Craig for its wood-waste fired district heating system and Aleutian Wind Energy for its Sand Point wind-diesel hybrid project.

We propose that grant criteria be developed to require a match that the applicant could either fulfill by applying for a PPF loan or coming up with an equity contribution by other means. This is the model successfully used in AEA's energy cost reduction program.

We recommend that the guidelines pertaining to the "annual average amount of the fund" be removed.

Depending on the capitalization or balance of the fund, it may be more appropriate for AEA to determine the allocation amount. For example, if the balance of the fund was \$1 million, the most beneficial use of the fund may be feasibility studies, reconnaissance studies and energy resource monitoring. Design and construction may not be a viable use with limited funds. An alternative approach may be for AEA to establish annual funding priorities in consultation with the advisory committee.

On page 4, we recommend [sub]section (g) (3) be removed. All projects, prior to construction must have the necessary site control and environmental permits. This is not a unique requirement for natural gas projects. For example, biomass and hydroelectric projects require environmental permits.

We recommend providing an effective date of July 1, 2007 coinciding with the start of the fiscal year.

[8:17:05 AM](#)

PETER CRIMP, Program Manager, Alaska Energy Authority (AEA), Department of Commerce, Community, & Economic Development, related support for HB 152, although he acknowledged that there are some technical matters that need to be addressed.

[8:17:54 AM](#)

PHIL STEYER, Director of Government Relations, Corporate Communications, Chugach Electric Association, Inc., related that the Chugach Board of Directors has passed a resolution in support of the establishment and legislative funding of a renewable energy fund. He further related that Chugach Electric Association, Inc. supports HB 152, particularly since the legislation provides the ability to fund the transmission or distribution line between a renewable energy project and the grid. He remarked that a project idea isn't very practical if the generation resource can't be connected with the customers. Mr. Steyer mentioned that many people and organizations, including Chugach Electric Association, Inc. worked together to develop the language of HB 152.

[8:19:21 AM](#)

CONNIE FREDENBERG, Community Development, Aleutian Pribilof Islands Association (APIA), began by noting that APIA is the tribal consortium for the state's 13 Aleut tribes. She related that for nearly four years, [the Aleutian Islands] have utilized an alternative energy program. The Aleutian Islands have more geothermal potential than all of North America, and furthermore the entire region has outstanding resources and unmeasured tidal power. The technology exists today to exploit the aforementioned resources. Ms. Fredenberg opined that this fund will benefit the entire state and address the root of the rural energy crisis, which is the rising and volatile price of imported fuel. She opined that Alaska should be amongst the world's leaders in renewable energy development as the state has all the raw resources and a critical need for it. Furthermore, there are many capable and hardworking people throughout the state who recognize the potential of the renewable energy resources. Ms. Fredenberg urged the committee to make passage of HB 152 a priority. In conclusion, she related a quote from Nels Anderson in which he relates that although the energy crisis caused by importing fuels may hit rural areas first, the entire state and nation will face the same crisis. She opined that it's time Alaska started developing these [renewable] resources.

[8:22:05 AM](#)

KATE TROLL, Executive Director, Alaska Conservation Alliance, began by relating that the Alaska Conservation Alliance is an umbrella organization of 40 conservation groups in the state, representing about 38,000 Alaskans. She then related strong support for HB 152 and that supporting renewable energy is a top priority of the organization. Ms. Troll highlighted what is occurring in rural Alaska where many rural Alaskans spend up to 40 percent of their annual income on electricity, hot water, and heating and cooling. The aforementioned is a staggering burden, especially when compared to the urban environment. This legislation, she opined, is a vital first step. She acknowledged that renewable energy won't completely replace the use of diesel in rural Alaska, but emphasized that renewable energy has the potential to provide economic benefits in Alaska. In fact, it was recently estimated that wind power is already displacing more than 300,000 gallons of diesel fuel barged annually to 130,000 residents of rural Alaska. Alaska possesses a vast amount of renewable resources in the form of wind, tidal, geothermal, biomass, waves, and hydropower that can be harnessed with current technologies. With virtually no fuel costs and increasingly affordable and efficient technologies coming to the

forefront, renewable energy has the potential to impart significant economic benefits throughout Alaska. Many states and nations are working successfully to develop their renewable energy resources. Still, no other state has the vast tremendous resources of renewable energy that is found in Alaska. She relayed her excitement with regard to HB 152 and Alaska's potential, with the political will and funding, to be the Saudi Arabia of renewable energy. In conclusion, Ms. Troll urged the committee to forward HB 152 with very little changes to it.

[8:26:37 AM](#)

GREG EGAN, Remote Power Inc., related that although his company deals with wind and solar power systems on a smaller scale than 50 kilowatt (kW), he is fairly familiar with renewable energy in Alaska. He informed the committee that in recent conversations with a business owner in Bethel, it was apparent that the business owner saw the benefit of utilizing wind power, but the difficulty is in obtaining a loan for renewable energy. This legislation will help with the aforementioned. He then expressed concern with the oil tanks located next to rivers and the oil barged on the rivers in rural Alaska because of the risk associated with the fishery resources were there an oil spill. Mr. Egan concluded by emphasizing the need to fund renewable energy programs, at least loan programs.

[8:29:16 AM](#)

REPRESENTATIVE SALMON referred to page 4, lines 12 and 19 and the requirement to generate more than 50 kW of energy. He inquired as to the amount of power a solar panel produces.

MR. EGAN answered that although one can put together a 50 kW solar array, it would be fairly expensive. He related that he typically deals with lower-end users such as individual lodge owners with needs smaller than 50 kW. Still, this legislation is important because funding larger projects will displace more fuel, he opined.

REPRESENTATIVE SALMON questioned why the 50 kW requirement couldn't be smaller since smaller units could be tied together to increase the energy capabilities.

MR. EGAN said that he has no problem with such.

MS. SCHROEDER HOTCH explained that the 50 kW requirement was included in order to not allow individuals to obtain these

loans. She said that the [sponsor] is willing to research how small the requirement can be without actually loaning to individuals.

REPRESENTATIVE SALMON clarified that he is pointing out that even small packages could be tied together to amount to an operation larger than 50 kW.

[8:33:22 AM](#)

REPRESENTATIVE BILL THOMAS, Alaska State Legislature, speaking as a co-sponsor, explained that the 50 kW was specified to account for switching from heating fuel to electric heat. He related that the community of Chenega runs 65 kW for 85 people. Representative Thomas drew attention to the fact that HB 152 doesn't include a funding source because it should be put in by the governor at that time.

[8:35:49 AM](#)

MIKE MUSICK, General Contractor/Builder, related that everyone in the building industry with whom he has discussed the legislation supports HB 152.

[8:36:20 AM](#)

TODD HOENER, Energy Efficiency Specialist//Sustainable, Natural Alternative Power Program Administrator, Golden Valley Electric Association (GVEA), informed the committee that GVEA's Board of Directors has passed a resolution in support of HB 152. Mr. Hoener related his support for HB 152, but noted that it doesn't address energy efficiency and conservation. Energy efficiency and conservation are necessary to ensure that renewable energy is fully cost effective. He suggested that committee members review the national renewable energy website. This legislation only addresses supplying more energy rather than demanding that energy is used efficiently and cost effectively. Energy efficiency, demand-side management, has been treated as an energy/fuel source by utilities for decades; it's treated as a clean and cheap fuel source. The aforementioned is illustrated in two news articles last week that Australian and European manufacturers are phasing out incandescent bulbs as they're not energy efficient. The other news article was about the Texas electric utility giant, TXU Corporation, that is reducing its planned construction of 11 coal-fired plants down to 3 and investing \$400 million to demand-side initiatives, energy efficiencies, and alternative energies. As HB 152 suggests, the

national trends to increase energy independence, reduce environmental health risks associated with green house gases, and produce energy security benefits while reducing volatile energy costs should be considered by the legislature. Therefore, he suggested inserting language into HB 152 that addresses the need to integrate energy efficiency technologies and energy conservation practices into funding renewable energy projects. Mr. Hoener recommended that the proposed advisory committee include at least one member from a nonprofit agency or for-profit business engaged in the energy efficiency sector. He then recommended that the proposed advisory committee establish methodology and regulations for determining projects, including the need to address energy efficiency issues in any and all projects. Without the aforementioned, HB 152 is merely supply-side energy legislation, albeit a better energy. If the energy efficiency isn't included with renewable energy projects, then the state is again wasting the precious energy and fiscal resources of Alaskans.

[8:42:47 AM](#)

BRAD REEVE, General Manager, Kotzebue Electric Association, highlighted that at this point Kotzebue has the largest wind farm in the state and thus is in favor of legislation such as HB 152. States, such as California, Texas, and Minnesota, that have solid, renewable energy policies are developing their resources to the maximum extent possible. Mr. Reeve, recalling his visits to projects in those states, opined that [a renewable energy policy] creates economic development and jobs. Rural communities are suffering economically due to extreme fuel prices. He indicated the importance of having a policy dedicated to renewables that moves fuel dollars into the local community and helps displace dollars leaving the community by creating new jobs. Mr. Reeve then informed the committee that about 10 years ago the Princeton Economic Research Institute felt that potentially 70-90 coastal communities in Alaska could benefit from using wind. He related support for HB 152 as its written as it is beneficial in terms of having a solid policy of reducing environmental risk and emissions while creating jobs.

[8:45:04 AM](#)

REPRESENTATIVE OLSON, recalling a visit to Mr. Reeve's facility a few years ago, commented that he was impressed with the work that he has done.

[8:45:30 AM](#)

RICH SEIFERT, Energy & Housing Specialist, Cooperative Extension, University of Alaska - Fairbanks, noted that he teaches cold climate building courses, and therefore energy conservation and housing is one of his primary interests. In fact, he mentioned that he did an entire exterior retrofit of his 1975 home. He explained that he did the aforementioned because the real solution to energy problems in Alaska is getting a grip on the state's energy demand. Alaskans live at a very high standard of living and use more British thermal units Btus of fossil fuel per capita than anywhere else in the world, and therefore Alaska owes it to the world to decrease that use. Mr. Seifert agreed with Mr. Hoener in that HB 152 must address demand reduction in order to maximize the efficient use of the resource. However, he pointed out that energy conservation and demand reduction both require capital funds upfront. Getting the money to those who need it, in the amount necessary needs to be clearly worked out in order to avoid another false start. Mr. Seifert suggested a double benefit, double incentive system that would reward communities and individuals by providing as much money as the community saves through conservation. He characterized the Energy Trust of Oregon as a good program and the 50 kW limitation as a bad idea because the program should be more flexible. In response to Co-Chair Fairclough, offered to provide written comments to the committee.

[8:50:20 AM](#)

REPRESENTATIVE SALMON thanked Mr. Seifert for supporting reducing the 50 kW limitation.

MR. SEIFERT opined that businesses have options that individuals don't with regard to loans for alternative energy projects.

[8:51:12 AM](#)

REPRESENTATIVE CISSNA related her impression that the sponsor is interested in making the legislation as good as it can be. Therefore, she encouraged Mr. Seifert to get his comments to the sponsor or committee.

MR. SEIFERT said he would do so.

[8:52:41 AM](#)

PETE KOMPKOFF began by noting that although he is the president and tribal administrator of Chenega IRA Council, he is speaking on his own behalf. He related his support for HB 152.

[8:53:26 AM](#)

MICHAEL VIGIL noted that he is the chairman and environmental coordinator of the Chenega IRA Council. He opined that Alaska is the largest land mass with such an abundance of natural resources. He expressed hope that besides alternative energies, natural gas will be provided to communities through which the natural gas pipeline passes. He related his strong support of HB 152.

[8:55:23 AM](#)

KATHRYN LAMAL, Vice President, Power Supply, Golden Valley Electric Association, voiced strong support for HB 152. The Interior of Alaska is committed to renewables and HB 152 would help Alaska as a whole in reducing its reliance on hydrocarbons.

[8:56:38 AM](#)

CO-CHAIR FAIRCLOUGH, upon determining no one else wished to testify, closed public testimony. She related that the sponsor requested that HB 152 be held to review whether to incorporate some of the suggestions made today. Therefore, HB 152 was held over.

[8:57:38 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 8:57 a.m.