

**ALASKA STATE LEGISLATURE**  
**HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE**

March 13, 2008

9:05 a.m.

**MEMBERS PRESENT**

Representative Anna Fairclough, Co-Chair  
Representative Gabrielle LeDoux, Co-Chair  
Representative Nancy Dahlstrom  
Representative Mark Neuman  
Representative Kurt Olson  
Representative Sharon Cissna

**MEMBERS ABSENT**

Representative Woodie Salmon

**COMMITTEE CALENDAR**

HOUSE BILL NO. 404

"An Act establishing an Alaska Renewable Energy Task Force."

- MOVED CSHB 404(CRA) OUT OF COMMITTEE

HOUSE BILL NO. 388

"An Act establishing the Alaska Broadband Task Force; and providing for an effective date."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 404

SHORT TITLE: ALTERNATIVE ENERGY TASK FORCE

SPONSOR(s): REPRESENTATIVE(s) FAIRCLOUGH

02/19/08	(H)	READ THE FIRST TIME - REFERRALS
02/19/08	(H)	CRA, FIN
03/13/08	(H)	CRA AT 9:00 AM BARNES 124

BILL: HB 388

SHORT TITLE: ALASKA BROADBAND TASK FORCE

SPONSOR(s): REPRESENTATIVE(s) GUTTENBERG

02/19/08	(H)	READ THE FIRST TIME - REFERRALS
02/19/08	(H)	CRA, FIN

**WITNESS REGISTER**

STEVEN HAAGENSON, Executive Director, Alaska Industrial Development & Export Authority (AIDEA) and Alaska Energy Authority (AEA)  
Department of Commerce, Community, & Economic Development (DCCED)

Anchorage, Alaska

**POSITION STATEMENT:** During hearing of HB 404, testified as to the approach AEA is taking related to energy.

BEN ELLIS, Managing Director  
Institute of the North  
Anchorage, Alaska

**POSITION STATEMENT:** During hearing of HB 404, testified that the Institute of the North is supportive of the proposed task force and would offer to help.

REPRESENTATIVE DAVID GUTTENBERG  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Spoke as the sponsor of HB 388.

RICH GAZAWAY, Administrative Law Judge, Regulatory Commission of Alaska (RCA), Department of Commerce, Community, & Economic Development (DCCED), Anchorage, Alaska

**POSITION STATEMENT:** During hearing of HB 388, provided some insight into efforts to deploy broadband throughout Alaska.

BEN ELLIS, Managing Director  
Institute of the North  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 388.

BRUCE JOHNSON, Director  
Quality Schools/Quality Students  
Alaska Association of School Boards (AASB)  
Juneau, Alaska

**POSITION STATEMENT:** During hearing of HB 388, related support for connectivity.

ALEX HILLS  
Palmer, Alaska

**POSITION STATEMENT:** Testified in support of HB 388.

STEVE SMITH, Chief Information Technology Officer  
Office of Information Technology  
University of Alaska Fairbanks  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 388.

JIM ROWE

Alaska Telephone Association

**POSITION STATEMENT:** Testified in support of HB 388.

#### **ACTION NARRATIVE**

**CO-CHAIR GABRIELLE LEDOUX** called the House Community and Regional Affairs Standing Committee meeting to order at [9:05:18 AM](#). Representatives Cissna, Olson, Co-Chair Fairclough, and Co-Chair LeDoux were present at the call to order. Representatives Dahlstrom and Neuman arrived as the meeting was in progress.

#### HB 404-ALTERNATIVE ENERGY TASK FORCE

CO-CHAIR LEDOUX announced that the first order of business would be HOUSE BILL NO. 404 "An Act establishing an Alaska Renewable Energy Task Force."

[9:05:54 AM](#)

CO-CHAIR FAIRCLOUGH, speaking as the sponsor of HB 404, read from the Alaska Energy Authority (AEA) "Renewable Energy Atlas of Alaska", as follows:

As concerns about rising fossil fuel prices, energy security, and climate changes increase, renewable energy can play a key role in producing local, clean, and inexhaustible energy to supply Alaska's growing demand for electricity, heat, and transportation fuel. Because there is little to no fuel cost associated with generating electricity from renewable resources, more Alaskans are looking to resources like wind, geothermal, hydroelectric, oceans, and biomass to hedge against the increasing cost of natural gas in diesel fuels. Renewable energy resources provide low risk energy that over the long term can lower costs. With some of the best renewable energy resources in the country, Alaska has an opportunity to be a leader in the development and bring new revenue streams to the state's economy.

CO-CHAIR FAIRCLOUGH pointed out that the committee packet should include a proposed committee substitute (CS) that narrows the scope of the proposed task force as well as who would serve on it almost entirely to a legislative body. With regard to AEA, Co-Chair Fairclough opined that the mission of AEA doesn't really define what she desires for the task force to do, although it's a component of it. Under AS 44.83.070, the purpose of AEA is specified as follows: "The purpose of the authority is to promote, develop, and advance the general prosperity and economic welfare of the people of the state by providing a means of financing and operating power projects and facilities that recover and use waste energy and by carrying out the powers and duties assigned to it under AS 42.45." Co-Chair Fairclough related her belief that the legislature, the appropriating body, must be involved in order for renewable energy to be a priority for all of Alaska.

[9:09:08 AM](#)

REPRESENTATIVE NEUMAN moved to adopt CSHB 404, Version 25-LS1514\E, Bullard, 3/7/08, as the working document. There being no objection, Version E was before the committee.

[9:10:01 AM](#)

STEVEN HAAGENSON, Executive Director, Alaska Industrial Development & Export Authority (AIDEA) and Alaska Energy Authority (AEA), Department of Commerce, Community, & Economic Development (DCCED), informed the committee that AEA is currently developing a detailed [energy] plan. He explained that first the locally available resources will be determined, which involves going to individual subregional areas and communities. The AEA then plans to evaluate existing technology to determine if the available resources can be converted to usable energy. The goal, he opined, is to replace electricity as well as liquid fuel. Therefore, this relates to space heating, transportation, and electricity. The next step will be to evaluate the energy delivery systems and identify the cost of delivery, he related. Furthermore, the energy needs for each community will be identified in order to match the need with the lowest cost and cleanest option available in the area. Mr. Haagenson characterized the aforementioned as a holistic process.

[9:12:54 AM](#)

REPRESENTATIVE NEUMAN reminded the committee that Galena was recently approached for a nuclear power plant, and requested comment from Mr. Haagenson.

MR. HAAGENSON said that he would evaluate all technologies. He stated that a community may determine that it wants to use a certain resource and prefers not to use another, which Mr. Haagenson opined they should have the ability to do.

REPRESENTATIVE NEUMAN noted his agreement.

[9:14:08 AM](#)

REPRESENTATIVE NEUMAN inquired as to whether Mr. Haagenson believes nuclear energy is safe.

MR. HAAGENSON answered that he didn't know, but safety should be reviewed prior to deploying any technology. He related that he has spoken with Marvin Yoder from the City of Galena, who says that the technology has been around for 30 years. In fact, it was used in the Idaho National Labs for many years. Therefore, it's the "next generation prototype" technology. He pointed out the need to evaluate the source of the energy, its safety, and any unintended consequences of having nuclear waste in Alaska.

[9:15:15 AM](#)

REPRESENTATIVE NEUMAN then requested that Mr. Haagenson discuss the Susitna hydro project.

MR. HAAGENSON related that the Susitna hydro project was identified as a good resource that would provide reduced CO<sub>2</sub> emissions and cheaper energy. After a quick "back of the napkin" analysis, Mr. Haagenson said that using a \$5,000 kilowatt (kW) install cost, 8/10ths of a cent operation and maintenance (O&M) costs, the cost of a 600 megawatt Susitna hydro plant would amount to about \$250 million a year. The aforementioned would result in about \$.05 a kW hour. However, the cost of highly efficient gas turbines to produce 600 megawatts in Anchorage or Fairbanks would be about \$500 million a year. Therefore, due to the \$250 million savings, the Susitna hydro project is of interest and should be reviewed in terms of the size necessary and what the resource can provide. He also mentioned the need to make sure such a project would work for Alaska. In further response to Representative Neuman, Mr. Haagenson stated that the savings of \$250 million a year would

need to be verified because the aforementioned numbers are rough estimates.

9:16:50 AM

REPRESENTATIVE NEUMAN related his understanding that the proposed task force will specify its goals and/or action items to reach those goals. He asked if there is a plan or mission statement.

CO-CHAIR FAIRCLOUGH referred to page 2, line 7, which specifies that the task force would prepare a report that includes the assessment of future statewide renewable energy needs and make recommendations for a statewide energy plan to fulfill the state's renewable energy needs.

9:17:57 AM

REPRESENTATIVE DAHLSTROM commented that the state is lucky to have Mr. Haagenson serve in this capacity for the state. Drawing from her experience with the military in Alaska, she related that Fort Greely has much data regarding nuclear energy. She further related that she is confident that nuclear won't be placed in Alaska until after full research has occurred into the possible consequences of such.

9:19:36 AM

REPRESENTATIVE CISSNA asked if communities that may have local solutions, such as wind power or geothermal, would be considered although they're not a statewide solution.

MR. HAAGENSON answered that all possibilities would be considered, and that's why the communities will be approached regarding what resources are available in the area. Mr. Haagenson said that he would like to see Alaska become self-reliant with regard to energy because a local job providing local resources helps the local economy. He reiterated that he would embrace any available technology to find the best option to deploy in a particular community.

9:22:47 AM

REPRESENTATIVE NEUMAN recalled that there has been discussion of development of mines in Alaska that would put in electric generation plants for their own electricity and make the transmission lines large enough to provide power to the local

villages as well as. He asked if the aforementioned would help reduce some of the costs of rural electricity.

MR. HAAGENSON responded that he isn't sure that the mines will reduce the cost of electricity, and thus that would need to be evaluated. The delivered cost will be a factor because if the community is too far away, it may not be economic to deliver the electricity over certain distances. In most parts of Alaska, the target as far as energy costs is fairly big. Mr. Haagenson said that he would speculate that energy costs [from the mines' electric plants] may be cheaper. With regard to the earlier comment about self-reliance, Mr. Haagenson pointed out that Alaska is using its own crude oil, but the problem is that "it's crushing the economy." Therefore, he said he would like to look for local resources to build the economy, which he characterized as self-reliance because local fuels and local businesses would be used to provide local energy.

[9:25:12 AM](#)

BEN ELLIS, Managing Director, Institute of the North, informed the committee that the Institute of the North was founded in 1974 by former Governor Wally Hickel. The Institute of the North is a 501(c)(3) that focuses on Alaska and Arctic issues. He then mentioned that in October 2007, the Institute of the North held the Arctic Energy Summit Technology Conference in Anchorage. Over 300 delegates from 14 different nations participated in that conference. The three areas the conference reviewed were renewable energy, extractive energy, and the challenge of providing affordable energy in rural communities. The aforementioned is an International Polar Year (IPY) project. To follow-up that IPY project, the Institute of the North has an action team to review the aforementioned three areas and challenges to develop specific road maps. One [road map] deals with renewable energy and review of the use of tidal in both non-ice and ice covered waters and the techniques and technologies throughout the Arctic that would be applicable in Alaska. These recommendations would [be presented] to the Arctic Council Ministerial meetings, which are the eight nations of the Arctic. The meeting will be next spring. Mr. Ellis related that the Institute of the North is supportive of the proposed task force and would offer to help, particularly to bring an international perspective regarding what other Arctic nations are doing in these areas.

[9:27:15 AM](#)

REPRESENTATIVE NEUMAN inquired as to how the Institute of the North could work with the proposed task force. He inquired as to how many groups are already working on this matter.

MR. ELLIS confirmed that many groups are already working on renewable energy. He opined that the sponsor of HB 404 has captured the majority of the players within the state. The Institute of the North would be able to bring the Arctic perspective, such as what's occurring in Sweden and Norway. Furthermore, the Institute of the North could contribute to the renewable energy issues.

[9:28:34 AM](#)

REPRESENTATIVE NEUMAN surmised that the proposed task force would be beneficial as it would bring all groups together to work on renewable energy.

MR. ELLIS noted his agreement. He then opined that the proposed task force provides a structure for a lot of people to come together to work on the energy challenges in Alaska. The aforementioned is one of Alaska's biggest challenges.

[9:29:56 AM](#)

CO-CHAIR LEDOUX, upon determining no one else wished to testify, closed public testimony.

REPRESENTATIVE DAHLSTROM moved to report CSHB 404, Version 25-LS1514\E, Bullard, 3/7/08, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 404(CRA) was reported from the House Community and Regional Affairs Standing Committee.

The committee took an at-ease from 9:30 a.m. to 9:33 a.m.

HB 388-ALASKA BROADBAND TASK FORCE

[9:33:03 AM](#)

CO-CHAIR FAIRCLOUGH announced that the next order of business would be HOUSE BILL NO. 388 "An Act establishing the Alaska Broadband Task Force; and providing for an effective date."

REPRESENTATIVE DAVID GUTTENBERG, Alaska State Legislature, speaking as the sponsor of HB 388, began by relating that in

November 2006 he received a letter from his Internet provider, which also provided television services, that it was leaving the state. December 31st television and Internet ended and he was left only with dial-up from his telephone provider. He said that he was without Internet service for over a year. Upon reviewing the matter, Representative Guttenberg said that he discovered that in the Fairbanks area there were over 2,000 people without service from various providers. The comments from surveys he conducted in various arenas were that service was slow, such that commerce was inhibited, folks couldn't work from home, and students couldn't perform research. Yet, no provider was trying to expand service to this group that had no service. Therefore, he began working on legislation. Although the state has little influence on Internet service, there are lots of things the legislature can do. Representative Guttenberg then discovered that legislation establishing a task force had passed out of the legislature in 2003, but that task force only produced a small PowerPoint. In February 2008, the Institute of the North and the University of Alaska Anchorage held a forum on this issue as well.

REPRESENTATIVE GUTTENBERG explained that he is trying to determine what economic opportunities have been missed with regard to bringing Internet service to all Alaskans. In rural Alaska, Internet is only available via E-Net in the schools. This legislation attempts to bring together a couple of legislators and the user groups in order to determine what the world is. This year Steve Haagenon, as chief executive officer of Golden Valley Electric Association, established an independent company that provides wireless Internet service as AT&T. However, those two are only looking at the small market, not the big picture. This legislation, on the other hand, has huge implications for the entire state. The goal is to define where the state is currently, where it wants to go, what needs to be done, and allow industry to come in and plug the holes and look over the horizon to bring Alaska to the forefront of the industry.

[9:39:48 AM](#)

REPRESENTATIVE DAHLSTROM asked whether the sponsor has spoken with large telecommunication companies in the state.

REPRESENTATIVE GUTTENBERG replied yes. After asking companies if they plan to build-up their systems, the answer was no. He indicated his understanding that the companies are "maxed out."

However, AT&T Cellular One is doing considerable things, including entering the wireless market in Fairbanks.

9:41:39 AM

CO-CHAIR LEDOUX, referring to page 1, lines 12-14, inquired as to the existing barriers to broadband deployment.

REPRESENTATIVE GUTTENBERG identified barriers such as equipment limitations and physical/geographical problems.

9:42:58 AM

CO-CHAIR LEDOUX asked then if the task force may recommend subsidies. She related her belief that existing utilities must be looking into this and if there is money to be made they would move forward. If the utilities don't believe there's money in this area, then they likely believe that a market isn't economically viable. She asked if the sponsor has heard from the utilities that there are other problems beyond economics.

REPRESENTATIVE GUTTENBERG related that in conversations with those other than utility companies, he has discovered [difficulty] with the Universal Service Fund. He related his understanding that instead of building out, the utilities are merely building up what already exists. Representative Guttenberg specified that he isn't looking to recommend any subsidies, but rather to define the issue/problem, where that issue/problem exists, and provide opportunities. However, some in Congress say that if an entity receives the Universal Service Fund, then it should build out its system rather than build up its existing system. Representative Guttenberg said that he doesn't have any preconceived ideas of where this will go.

REPRESENTATIVE DAHLSTROM, drawing from 15 years of telecommunications experience, related that other things to consider are distance and terrain, weather, the amount of permafrost, whether the wires will be hung or cable buried, and access for maintenance. She recalled that when White Alice, Alascom existed, the federal law mandated that it provide service to communities with 25 or more residents, no matter the cost. She related that the aforementioned service was provided at a financial loss to the company, at times. She said, "But because of the federal laws and some subsidies that they were receiving, ... that's what was done." The Universal Service Fund is difficult to follow, she noted. Representative Dahlstrom praised the intent of HB 388, but emphasized the need

to work with the Regulatory Commission of Alaska (RCA) and those in Washington, D.C., as there may be the need to request some changes to the Universal Service Fund.

[9:46:56 AM](#)

REPRESENTATIVE GUTTENBERG pointed out that coverage in the state is so irregular and inconsistent. For example, last year fiber optic cable was being installed from Kenny Lake, which had [fiber optics for 10 years], to Chitna. However, he had no coverage at his home in Fairbanks.

[9:47:44 AM](#)

REPRESENTATIVE CISSNA related that in 2000 she was a member of the House Special Committee on Economic Development, International Trade and Tourism, which reviewed what was happening in the state. At that point the state was beginning to see what was happening globally and there was a state contract for telecommunications. Furthermore, there was extensive training for rural teachers to help them teach in remote communities that were to receive Internet access. There were discussions with the local telephone companies to find ways in which to "help fit them into the picture." Representative Cissna emphasized that [broadband service] in Alaska can be done and done from modest communities. She then requested comment regarding what the state is doing that "this can fit into as well."

REPRESENTATIVE GUTTENBERG replied he's not able to address that.

CO-CHAIR FAIRCLOUGH announced that although she's doesn't want to hold HB 388, there is House floor session today and people on-line who would like to testify. She said she didn't believe the legislation would be able to move forward if the testimony as well as the additional dialogue is allowed.

[9:50:55 AM](#)

CO-CHAIR FAIRCLOUGH then opened the public testimony.

[9:51:04 AM](#)

RICH GAZAWAY, Administrative Law Judge, Regulatory Commission of Alaska (RCA), Department of Commerce, Community, & Economic Development (DCCED), said he would provide some insight into efforts to deploy broadband throughout Alaska. He related that

one effort is to administer a federally funded broadband grant. That program has some restrictions in the appropriations language such that it only allows funding for areas without local dialup or broadband access. Therefore, if a community has a dialup connection, it can't receive funding. Although there have been efforts to amend the legislation such that areas with poor local dialup connections and no broadband access could receive funding, it hasn't yet been acted upon. Also, the Federal Communications Commission (FCC) has an open docket regarding the expansion of the Universal Service Fund to include a broadband fund.

[9:53:23 AM](#)

BEN ELLIS, Managing Director, Institute of the North, related the Institute of the North's support for HB 388. He informed the committee that the Institute of the North and the University of Alaska - Anchorage held a telecommunications workshop in February. There were 35-40 participants at the workshop and all of the providers were represented. Furthermore, user groups, including those from the Native community were present. More than 40 states use this approach, he noted.

[9:54:25 AM](#)

BRUCE JOHNSON, Director, Quality Schools/Quality Students, Alaska Association of School Boards (AASB), related AASB's support for connectivity, both for families and young people.

[9:55:05 AM](#)

ALEX HILLS began by informing the committee that he is the owner of a consulting practice in Palmer that specializes in hi-tech product development, particularly wireless. He further informed the committee that he holds a faculty appointment as distinguished service professor at Carnegie-Mellon University, specializing in telecommunications policy, particularly as it relates to deployment in rural and remote areas. He noted that he had the privilege to chair the earlier mentioned workshop held in Anchorage. As has been mentioned, representatives of all the major telecommunications providers were there as well as many others interested in telecommunications. There was general consensus that broadband service is badly needed for economic development, health care delivery, delivery of quality education, and participation in the mainstream economy and society. It was clear that broadband development in Alaska is lagging, both when measured against other states and other parts

of the world. He then reflected on the 1970s when Alaska gained an understanding that basic telecommunication services, which meant radio, television, and telephone service, in rural Alaska were lagging. Due to the leadership of then Governor Jay Hammond and others, Alaska dramatically improved and provided basic services throughout the state within a few years. He noted that he was privileged to participate in that effort as Alaska's chief telecommunications official under Governor Hammond. Now basic services increasingly can be defined to include broadband or high-speed Internet, and thus it's once again time for dramatic action by the state to bring the state, particularly rural residents, up to the international standard for basic service. Mr. Hills suggested that HB 388 is only a start, not an action plan as it only establishes a task force to propose a plan. Still, Mr. Hills suggested that the committee advance HB 388.

9:59:17 AM

STEVE SMITH, Chief Information Technology Officer, Office of Information Technology, University of Alaska Fairbanks, related support for HB 388. He opined that broadband technology is as critical in this age as roads, power, and water treatment are for the economic development, health, access to government, and education of all of Alaska's communities. There are 33 other states with broadband legislation, 40 states that have statutes involving broadband. Broadband is something on which everyone needs to work together. Although the carriers are doing their best, they face technical, economic, regulatory, and resource barriers. Furthermore, basic Internet service doesn't exist throughout the state, let alone the broadband services coming. There needs to be a comprehensive plan to work together to move forward [with regard to telecommunications]. In conclusion, Mr. Smith reiterated his support for HB 388.

10:01:03 AM

JIM ROWE testified in support of HB 388. As mentioned earlier, there needs to be a thorough discussion of broadband accessibility, even in the face of the challenges in infrastructure and economics. He informed the committee that the Alaska Telephone Association has interest in this matter, as highlighted by its annual meeting in Girdwood. One of the agenda items of that meeting is a discussion of HB 388, which Mr. Smith will lead. There will also be a representative from Connected Nation, Inc., who will make a presentation based on Kentucky Connect, which has been a national example for bringing

broadband to rural areas. From the Anchorage Daily News article titled "Web Traffic Swelling to a Slowdown," he highlighted the following quote: "Digital traffic on the global network is growing about 50 percent per year." The aforementioned demonstrates the worldwide demand, he said. In conclusion, Mr. Rowe said that he looks forward to participating with the proposed task force.

10:03:08 AM

CO-CHAIR FAIRCLOUGH announced that any testimony can be sent to either committee co-chair to be distributed to all committee members. She then announced that the public hearing would be left open for HB 388.

[HB 388 was held over.]

#### **ADJOURNMENT**

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 10:03:43 AM.