

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

April 13, 2007

3:36 p.m.

MEMBERS PRESENT

Senator Charlie Huggins, Chair
Senator Bert Stedman, Vice Chair
Senator Lyda Green
Senator Gary Stevens
Senator Bill Wielechowski
Senator Thomas Wagoner, via teleconference

MEMBERS ABSENT

Senator Lesil McGuire

COMMITTEE CALENDAR

SENATE BILL NO. 109

"An Act relating to the regulation and permitting of drilling and other operations by the Alaska Oil and Gas Conservation Commission, to civil penalties assessed by the commission, to reconsideration and appeal of decisions and the allocation of costs in investigations and hearings before the commission, and to information filed with and fees of the commission; and providing for an effective date."

MOVED CSSB 109(RES) OUT OF COMMITTEE

SENATE BILL NO. 96

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

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 109

SHORT TITLE: OIL & GAS CONSERVATION COMMISSION

SPONSOR(s): RULES BY REQUEST OF LEG BUDGET & AUDIT BY REQUEST

03/07/07	(S)	READ THE FIRST TIME - REFERRALS
03/07/07	(S)	RES
03/12/07	(S)	RES AT 3:30 PM BUTROVICH 205
03/12/07	(S)	Scheduled But Not Heard
04/13/07	(S)	RES AT 3:30 PM BUTROVICH 205

BILL: SB 96

SHORT TITLE: ESTABLISHING A RENEWABLE ENERGY FUND

SPONSOR(S): SENATOR(S) ELLIS

02/26/07 (S) READ THE FIRST TIME - REFERRALS
02/26/07 (S) RES, FIN
04/13/07 (S) RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

CHERYL SUTTON

Staff to the Legislative Budget & Audit Committee
Alaska State Capitol
Juneau, AK 99801-1182

POSITION STATEMENT: Presented SB 109.

JOHN NORMAN, Chair

Alaska Oil and Gas Conservation Commission (AOGCC)
Anchorage AK

POSITION STATEMENT: Supported CSSB 109(RES).

KARA MORIARTY, External Affairs Manager

Alaska Oil and Gas Association (AOGA)

POSITION STATEMENT: Supported CSSB 109(RES).

ALAN BIRNBAUM, Assistant Attorney General

Oil and Gas Section

Department of Law

Anchorage AK

POSITION STATEMENT: Commented on SB 109.

MARK WORCESTER, Senior Counsel

ConocoPhillips

Anchorage AK

POSITION STATEMENT: Supported SB 109.

SENATOR ELLIS

Alaska State Capitol

Juneau, AK 99801-1182

POSITION STATEMENT: Sponsor of SB 96.

PETER CRIMP, Program Manager

Alternative Energy and Energy Efficiency

Alaska Energy Authority

POSITION STATEMENT: Supported SB 96.

SARAH FISHER-GOAD, Deputy Director

Alaska Energy Authority (AEA)
Anchorage AK
POSITION STATEMENT: Supported SB 96.

MITCH ERICKSON, Executive Director
Nome Chamber of Commerce
POSITION STATEMENT: Supported SB 96.

NELS ANDERSON, Jr., Chair
Southwest Municipal Conference Energy Committee
Dillingham AK
POSITION STATEMENT: Supported SB 96.

MERRA KOHLER, President and CEO
Alaska Village Electric Cooperative (AVEC)
Anchorage AK
POSITION STATEMENT: Supported SB 96.

ACTION NARRATIVE

CHAIR CHARLIE HUGGINS called the Senate Resources Standing Committee meeting to order at [3:36:04 PM](#). Present at the call to order were Senators Green, Wielechowski, Stevens and Huggins. Senator Wagoner attended via teleconference.

[3:36:41 PM](#)

SB 109-OIL & GAS CONSERVATION COMMISSION

[3:37:14 PM](#)

CHAIR HUGGINS announced SB 109 to be up for consideration.

CHERYL SUTTON, Staff to the Legislative Budget & Audit Committee (LB&A), testified that SB 109 was introduced through the Rules Committee by request of LB&A and the Alaska Oil and Gas Conservation Commission (AOGCC). She said the House has a companion bill that is exactly like the CS before them and it was moved from the House Oil and Gas Committee yesterday without objection. The CS reflects changes resulting from interactions between the Alaska Oil and Gas Association (AOGA) and other industry members.

[3:38:24 PM](#)

MS. SUTTON went through the changes in the CS saying that sections 1, 2, 3, 5, 6, 9, 10 and 13 remain unchanged. Sections 4, 7, 8 and 11 are reworded for clarity, but have no substantive changes. Section 12 is reworded for clarity and adds "an underground interjection well for the purpose of gas storage" to the Commission's list for permitted wells. Section 14 combines

the material contained in sections 14 - 17 from the original bill and clarifies the language.

MS. SUTTON said the substantive change in the CS is on page 8, lines 18 - 19 and it deals with the civil penalty the Commission may impose and says "not more than \$100,000 for the initial violation and not more than \$10,000 for each day thereafter on which the violation continues." The remainder of the section consolidates the language from the original bill's sections 14 - 17. She said the remaining sections remain unchanged, but are renumbered to reflect the consolidation.

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CHAIR HUGGINS asked Commissioner Norman to address section 14 and asked if that was the most substantive piece.

JOHN NORMAN, Chair, Alaska Oil and Gas Conservation Commission (AOGCC), said that section 14 is the updated penalty section and it is one of the substantive changes. The civil penalty had not been updated for almost 20 years. It proposes an amendment to AS 31.05.150(a) that would establish a \$100,000 penalty as a maximum that could be assessed by the Commission for a single violation. Should that violation continue unabated for a number of days, it could assess an additional accumulating penalty of \$10,000 a day. The reason for this change is because there are situations where the worst part of an offense could occur within a 24-hour period and the offender escapes a proper penalty simply by the violation's short duration. Secondly, the \$10,000 per day brings Alaska into line with penalties other oil and gas producing states use.

CHAIR HUGGINS asked if anyone vehemently contested those numbers.

MR. NORMAN replied that he hasn't heard anything, but others should speak on that.

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SENATOR STEVENS asked for the reasoning behind the \$100,000 penalty.

MR. NORMAN clarified that the current penalty is up to \$5,000 per day. If a violation continued for five days, the Commission would have the ability to assess a maximum of \$25,000. This change would allow the state to capture serious violations that might otherwise escape the continuing penalty because they occur in a short time period. For the most egregious violations, the

Commission could assess up to a \$100,000 penalty. If it continued after that, the Commission could assess as a maximum a \$10,000-per-day penalty.

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MR. NORMAN continued saying that existing statutes also have criminal penalties that are levied by the court under the Criminal Justice system and those would not be assessed by the Commission. However, the old penalty amount was a lower amount and it made no sense not to bring it up to \$10,000 at the same time they are doing this housekeeping amendment.

He explained that subsection 15(d), which is on page 8 of the CS, increases the penalty for the waste of valuable natural gas in Alaska. Currently, if the Commission finds waste, either intentional or from operator negligence, it can assess a penalty against that operator equal to the value of the gas. The Commission believes that an adequate penalty for wasting the gas should not be just the value of the gas, so that they suggest doubling that value.

Subsection (g) is another important subsection under section 14, which sets forth a number of specific criteria that give the Commission guidelines when assessing a penalty and is intended to put sideboards on the assessments so the Commission doesn't use "unbridled discretion." Both parties can refer to this check list.

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SENATOR WAGONER asked how easy it is to determine how much gas has been illegally flared under subsection (d).

MR. NORMAN replied that operators file a disposition report every month through an engineer that has to be signed off by Commissioner Foerster. Every disposition has to be reported, but it is fairly easy to do. Falsifying a report is at the very highest end of the spectrum of violations, so it is not a good idea to do that.

[3:50:00 PM](#)

SENATOR STEVENS asked why language in the waste section says "may" instead of "shall".

MR. NORMAN replied that "may" addresses situations where it could be a very close call - for instance, once a pipeline experienced harmonic vibration and broke, but the operator notified the Commission immediately. If that incident happened

again to the same operator, it might be a different call. Sometimes there is a fine line between acts of God and accidents.

[3:51:56 PM](#)

MR. NORMAN hit the rest of the high spots in the CS. There is reference to granting the Commission the statutory authority to regulate the underground storage of natural gas. He said the Railbelt and the Cook Inlet Basin are no longer stranded gas provinces and operators no longer have the ability guaranteed during peak periods of demand to be able to open the valves and deliver all the gas that's needed. They are taking the necessary steps to try to identify spent-out reservoirs that can be used for storage so that during the summer, for example, they can continue to produce and put gas into storage and then in periods of peak demand they can draw not only upon the reservoirs, but upon the storage. This is a common practice elsewhere in the United States, but while the Commission presumes to have this authority and already exercises it, it has not been granted in black-letter law. They want to have it in law to eliminate any future arguments.

[3:53:46 PM](#)

SENATOR WAGONER asked if he was talking about the Swanson River and Kenai gas fields.

MR. NORMAN replied yes; and they may see more of that in the future.

SENATOR WAGONER asked if Pretty Creek (Kenai gas field) supplies Beluga.

MR. NORMAN replied that he would have to get that answer for him. He said another change in the statute is to include among the recitals of authority and responsibility of the Commission a responsibility to oversee not just conservation, waste, fresh water et cetera, but "safety and public health". This is consistent with the 2004 version of the Model Oil and Gas Conservation Act promulgated by the Interstate Oil and Gas Compact Commission. It is being proposed to keep Alaska in the forefront of having one of the best regulatory structures for oil and gas in the United States.

[3:56:08 PM](#)

SENATOR STEDMAN joined the committee.

Another change he described as a slight course correction in Section 5. He said currently the AOGCC has oversight of a program that requires well testing and development of baseline information for the exploration and development of coalbed methane wells. This change fine-tunes the wording that now says "when a well is drilled for production or production testing of coalbed methane" that would trigger the requirement for this program by making "or production testing" at the Commission's discretion. Production testing presents minimal risk to any fresh water supplies because risk occurs almost without exception in the exploration phase. If, however, the well then progresses to where it goes on to what is defined in regulations as "regular production" then that requirement would be there.

[3:58:13 PM](#)

SENATOR WIELECHOWSKI asked if they are eliminating the Commission's ability to require design and implementation of a well testing program if they are doing production testing.

MR. NORMAN replied that he would say:

We don't really have the ability to require it. I believe the statute mandates that this be done and a triggering event is the drilling and then if an operator wishes to test and see if they've made a discovery, that triggers this program which is expensive. And it isn't because of the expense that we're recommending it. But if it is very low, low yield - next to nothing - there's no risk at all - that I would represent to you - to any fresh water as a result of production testing. If, however, the operator moves into regular production from that well, then all of the protections that are now in statute would remain. So, it's just this one small change.

[3:59:27 PM](#)

SENATOR WIELECHOWSKI said it is a very controversial issue. He asked Mr. Norman if there was absolutely no risk of well contamination in production testing for coalbed methane.

[3:59:47 PM](#)

MR. NORMAN replied that it's not often that he would say there is absolutely no risk and he didn't know if he should now, but all of life is a matter of cost benefit analysis. In the things the Commission regulates and of the things that can go wrong every day in the drilling that's going on right now, there is "minimal, minimal, minimal risk from just testing a well." The

well has already been drilled; the operator just wants to test it. Once it goes to regular production, careful monitoring would be instituted.

CHAIR HUGGINS asked if the change didn't prevent them from testing a well once it is in production.

SENATOR WIELECHOWSKI said if there was no risk, he didn't have a problem with not requiring well testing, but if there was risk, he didn't want to delete that requirement.

MR. NORMAN replied among all the things the Commission regulates this is way down at the total bottom of the scale of presenting any threat to fresh water. The risk is involved once a well begins to produce and the pressure changes between the water and gas.

[4:03:36 PM](#)

CHAIR HUGGINS said this doesn't eliminate the Commission's ability to do testing at a time when production and the real risk potentially might come to fruition.

MR. NORMAN agreed emphatically and added that the Commission still has the ability to impose conditions before issuing a drilling permit if it sees the need. This just mandates it for coalbed methane.

CHAIR HUGGINS asked if this change was lobbied for by industry.

[4:06:07 PM](#)

MR. NORMAN replied, "No, sir. This change was brought about and identified by the Commission." It became apparent to them that this requirement didn't serve a useful purpose.

He said the AOGCC is one of the oldest regulatory agencies in Alaska. It was enacted pursuant to Chapter 4, SLA 1955. This is remarkable because that is before oil was discovered in commercial quantities here and predates statehood. The framework has served them remarkable well over these many years and demonstrates remarkable foresight on the part of those legislators.

He said this act contains its own provisions about appeals for decisions of the AOGCC in Section 10 that seem to grant an automatic trial de novo. These provisions are outmoded and were superseded by general rules that were applicable to appeals from all administrative agencies. This has been the Commission's

position. Occasionally people have contested this and in each case the Commission has prevailed and most recently in a Supreme Court decision, *Allen v AOGCC* 147 Pacific 3rd 664. This language cleans up that issue and brings alignment to statute.

[4:11:04 PM](#)

MR. NORMAN went to Section 12 that proposes to eliminate the statutory fee of \$100 for a permit to drill. This fee contributes a total of \$25,000 per year toward the agency's \$4 million-year-plus budget. It has not been changed for at least 37 years and started out in 1955 at \$50 going to \$100 in 1970.

The Commission considered a range of options for the fee including increasing it - some states charge a fairly hefty fee; others don't charge at all. They considered the effect upon new companies coming in to Alaska as well as consulting with the current regulatory industry that pays the regulated well regulatory cost charge that funds the operations of the agency. And now the Commission recommends deleting the \$100-penalty. It doesn't serve much of a purpose simply because many of the companies that pay the regulatory cost charge also wind up paying this \$100 fee which is then deducted from what they would otherwise pay. But it causes a fair amount of accounting at the end of the year with a true up and an adjusted bill. The administration supports this bill.

SENATOR WIELECHOWSKI asked if it costs \$25,000 to do the accounting for the fee.

MR. NORMAN replied no, but it comes out as a deduction and there is no net gain to the state in keeping it.

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MR. NORMAN went to Section 7, which makes more well data and applications to drill information public and makes that information public sooner than is the case now in two ways. First, it narrows the field of wells that would receive protection of confidentiality only to exploratory or strategraphic wells, because the Commission believes industry has a legitimate reason to want to retain its proprietary information. It cost them a lot of money to drill the wells. But most of the wells are development wells and the greater good will be served by getting the information on those out to the public. So the bill proposes to eliminate what is now the 24-month period of confidentiality for those wells making that information public immediately upon delivery to the AOGCC.

A second part addresses applications for permits to drill. Historically an application for a permit to drill has been treated as confidential and except for certain information listed in the statute, can not be released for 2 months. Again, that cloak of confidentiality is limited to only exploratory and strategraphic test well information and then only to the information the Commission determines is proprietary and deserving of protection. The main thrust of this again is to get more information out to the public and to avoid putting the Commission in the position of saying no to a citizen who wants to see an application. They want to strike a balance between the legitimate needs of the industry for proprietary protection.

CHAIR HUGGINS summarized that this enhances public knowledge, rather than reducing it.

MR. NORMAN replied that is correct.

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MR. NORMAN continued on saying another provision in Section 8 provides that information voluntarily provided to the Commission makes it clear that by receiving it in that fashion they are not guaranteeing that protection will carry over in a future hearing or to another application. Currently and for a long time a company has been able to provide information voluntarily but can ask to have it remain confidential. That proceeding will now have to stand on its own legs. They are eliminating any potential that a company might argue that it voluntarily provided information to the Commission in 2007 and it is confidential; so now in 2010 when they are filing this petition, this information is already confidential. The Commission is saying that it won't work that way because it has to develop a public record that will support its decisions. This does not reduce public awareness and he said that all the commissioners recommend this legislation for favorable consideration and action.

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SENATOR STEVENS asked on page 9 subsection (e) if a knowing violation penalty is used very often.

MR. NORMAN replied that subsection (e) is not something the Commission would use; it is about something that would be prosecuted criminally. The Commission can introduce civil penalties and those are addressed in subsection (a) that says if an action is so willful that it rises to the level of a criminal

violation, that it can also be prosecuted criminally and would constitute a misdemeanor.

SENATOR STEVENS asked if that penalty is being left at \$10,000.

MR. NORMAN replied yes because he thinks it would be presumptuous of the Commission to begin to delve too far into a criminal issue. It's up to the Criminal Division of the Department of Law to decide if that number should be increased.

[4:23:20 PM](#)

KARA MORIARTY, External Affairs Manager, Alaska Oil and Gas Association (AOGA), supported SB 96 and Mr. Norman's suggested changes and supported the changes in the CS. She hoped to continue working with them on clarifying questions.

ALAN BIRNBAUM, Assistant Attorney General, Oil, Gas and Mining Section, Alaska Department of Law, said he is representing the AOGCC and that Mr. Norman did an excellent job of summarizing the CS. He wanted to clarify that the last reference to Section 14(e) on the top of page 9 changes the penalty from what it is in statute today at \$5,000 a day to \$10,000 a day.

[4:27:34 PM](#)

MARK WORCESTER, Senior Council, ConocoPhillips, said it is the largest producer in Alaska and the most active explorer. He supported Mr. Norman's explanation of the CS and congratulated him on being so diligent in updating its statutes, making sure that ConocoPhillips understands what he is trying to do and listening to their concerns. His responses are thoughtful and thorough. He said ConocoPhillips supported this bill and urged its passage.

SENATOR STEDMAN moved to adopt CSSB 109(RES), version M. There were no objections and it was so ordered.

[4:29:59 PM](#)

SENATOR STEVENS asked if the Commission was celebrating its 50th anniversary.

MR. NORMAN replied that they are preparing a history right now, which is somewhat of a history of all of Alaska for the 50th anniversary. He anticipated being able to widely distribute it showing the evolution of the industry that is so important to the State of Alaska.

SENATOR STEDMAN moved to pass CSSB 109(RES) from committee with individual recommendations and zero fiscal note. There were no objections and it was so ordered.

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SB 96-ESTABLISHING A RENEWABLE ENERGY FUND

[4:36:34 PM](#)

CHAIR HUGGINS announced SB 96 to be up for consideration.

SENATOR ELLIS, sponsor of SB 96, said renewable energy is a very mainstream issue and Alaska can be a leader in the country by moving forward on it now. All our congressional leaders have mentioned it as a priority and there is recognition across the political spectrum about the value and wisdom of developing renewable energy resources in the State of Alaska so it is timely. There is money to be saved and money to be made by selling the power and the technology. Alaska has excellent sources for renewable energy - such as wind, geothermal, solar, biomass and hydropower to name a few - and the intelligence to develop them.

He said SB 96 would establish a renewable energy fund to be administered by the Alaska Energy Authority (AEA) that would offer both grants and loans to communities to develop renewable and cost-effective sources of energy around the state. AEA would take advice from an advisory committee with members appointed by the governor from various stakeholder groups.

SENATOR ELLIS said SB 96 is a logical progression toward developing Alaska's inexhaustible energy resources and it means looking ahead to the next 100 years. He said there is amazing support for this building across the state and the list grows daily. To name a few - Mat-Su Borough, Southeast Alaska Municipal Conference, Alaska Municipal League, Chugach Electric, Golden Valley Electric Association, Alaska State Chamber, Alaska Federation of Natives and Municipal Light and Power.

[4:40:30 PM](#)

PETER CRIMP, Program Manager, Alternative Energy and Energy Efficiency, Alaska Energy Authority, said AEA supported efforts to further develop the state's renewable energy resources. He said the market for renewable energy is increasing due to the increase in oil and gas prices. Hydropower has been providing 25 percent of the state's energy for a long time and there are many potential hydro projects throughout Southeast, Railbelt and rural Alaska that look promising. They range in size from 200

kilo watt project in Chignik Lagoon to a 430 mega watt project in the Chakachamna project. He said wind energy has been shown to be cost effective in 30 to 45 locations in rural Alaska. Kodiak is developing an 8 mega watt wind facility, Golden Valley has been working toward developing a large wind farm near Healy, and CIRI with a number of Railbelt utilities is moving forward on Fire Island.

As for geothermal, Chena Hot Springs in Fairbanks has shown that it is looking pretty good. That project is displacing over 100,000 gallons of diesel per year. The Valley is looking at a potential project at Mt. Spur of 25 to 100 mega watts.

[4:42:53 PM](#)

MR. CRIMP said that wood is abundant throughout the Interior and areas where there isn't wind and is being used for small-scale thermal applications like heating schools and community facilities. Small-scale modular bio-power technology and innovative harvesting techniques are being looking at also as well as cellulosic ethanol development in Southeast Alaska by Sealaska. The economics of that are still questionable, but the technology is under development.

He said that AEA and its utility partners are continuing to work in other areas such as fish oil bio-diesel and tidal industry using the flow of the rivers in the Interior and elsewhere to generate power.

[4:47:35 PM](#)

CHAIR HUGGINS asked if there was a market for birch bark pellets.

MR. CRIMP replied that AEA and AIDEA have considered financing pellet manufacturing facilities both as an industrial-grade pellet that could be used to produce power in a conventional power plant as well as a feeding a residential market. Just about all pellets from all species burn quite cleanly and have been widely used throughout the Lower 48.

CHAIR HUGGINS asked why he thought the Chakachamna project would be any different than the Susitna hydro project.

MR. CRIMP replied both projects are large with potential impacts that would need to be studied before they move forward. He didn't want to portray the Chakachamna project as a go. It has many hurdles in terms of power market, fish migration, and

economics that would have to be leapt over and the Susitna project has many of the same hurdles.

[4:48:34 PM](#)

CHAIR HUGGINS asked how he got into this business.

MR. CRIMP said he had worked with the AEA for 14 years and has moved up through the ranks. He is a forester and a planner by background and got hired to manage the state's biomass energy program. His duties have expanded onto the economic analysis side and overall project planning.

[4:49:22 PM](#)

SARAH FISHER-GOAD, Deputy Director, Alaska Energy Authority, said that Mr. Crimp did a good job on an overview of renewable energy projects. She said the companion bill is HB 152 and she pointed out that based on AEA's recommendation the House changed the bill from being a combination grants and loan fund to just a grant fund. This is because the loan provision was actually a duplication of an existing program in the Power Projects Fund.

[4:51:21 PM](#)

SENATOR STEVENS asked her to explain language on page 4 of SB 96 where it says "must link a renewable energy project or natural gas project to the electric grid."

MS. FISHER replied that language had changed in the House version to "transmission or distribution infrastructure" and doesn't refer to the electric grid at all.

[4:52:47 PM](#)

MITCH ERICKSON, Executive Director, Nome Chamber of Commerce, supported SB 96. He said the Nome Chamber held a two-day energy summit to look for alternatives to diesel in both community power generation and home heating. It was spurred by the 20 percent annual increases in diesel fuel prices over the past several years. Very few people receive pay raises to match this cost of living and some locals see their winter heating and utility bill is higher than their mortgage payment. Their goal is to wean their community from diesel as a primary source of energy. Experts addressed wind, hydrogen, solar, geothermal, and nuclear as well as the funding and financing available. He said members of AEA participated and that the City of Nome is now conducting an energy study along with the Department of Energy and the AEA to see what individuals and businesses can do to lower their energy costs. It included better insulation and using wind and solar as a secondary source of energy. One point

that came out of the energy summit was the need for a fund such as SB 96.

He said the Chamber has not been able to find an expert to work with them on these issues and it is trying to develop a relationship with the University of Minnesota solar energy lab for its technical expertise.

[4:55:52 PM](#)

NELS ANDERSON, Jr., Chair, Southwest Municipal Conference Energy Committee, Dillingham, said he is also a member of the Bristol Bay Alternative Energy Task Force. He said SB 96 is needed because their villages are almost totally dependent on diesel for their electricity. Many pay 50 to 75 cents per kilo watt hour for their electricity; most individuals spend any available money on lighting and heating their homes. He said "SB 96 needs to pass as soon as possible" and they believe the AEA can do an excellent job in implementing the renewable energy fund. SB 96 is the key to unlocking all of Alaska's remarkable renewable energy resources.

MERRA KOHLER, President and CEO, Alaska Village Electric Cooperative (AVEC), supported SB 96. She said AVEC is a non-profit electric utility that serves 52 villages primarily in northwest and western Alaska. Their 21,000 residents represent almost half of Alaska's village population. They operate 47 power plants, almost all of them are exclusively diesel. Since 2000 they have made tentative efforts to add a few renewables - all wind. They now have supplemental wind generation in four villages and the benefits of those four flow to another two communities through interties. One more intertie is being built. Two more wind projects are being planned for this year and another two for next year.

She said these projects have been almost exclusively funded with federal and local dollars; very little or no state dollars are involved in any of those projects. Utility generation in Alaska is very expensive. They can only use small wind turbines and their construction costs are staggering due to the arctic and sub-arctic conditions and that is why development of these projects is very slow. Other technologies are only just emerging. Alaska needs a renewable energy bill to support the development of renewable power sources in its communities. AVEC supported both versions of this bill.

[5:00:26 PM](#)

SENATOR WAGONER asked if she could relate any reduction in diesel electric generation because of using wind generation.

MS. KOHLER answered that their two most recent projects that became functional last year in Kasigluk and Toksook Bay are both excellent wind regimes and expectations have been exceeded during the high wind months of this last winter. In January they displaced more than 30 percent of their diesel fuel in both communities. The cost of fuel in those communities is about \$2.50/gallon.

CHAIR HUGGINS said members had other meetings to attend and adjourned the meeting at [5:02:48 PM](#).