

**ALASKA STATE LEGISLATURE**  
**HOUSE SPECIAL COMMITTEE ON ENERGY**

March 24, 2009

3:52 p.m.

**MEMBERS PRESENT**

Representative Charisse Millett, Co-Chair  
Representative Nancy Dahlstrom  
Representative Kyle Johansen  
Representative Jay Ramras  
Representative Chris Tuck

**MEMBERS ABSENT**

Representative Bryce Edgmon, Co-Chair  
Representative Pete Petersen

**COMMITTEE CALENDAR**

HOUSE JOINT RESOLUTION NO. 25, Urging the United States Congress to classify hydroelectric power as a renewable and alternative energy source.

- MOVED CSHJR 25 (ENE) OUT OF COMMITTEE

HOUSE BILL NO. 31, "An Act relating to net energy metering for retail electricity suppliers and customers; and providing for an effective date."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HJR 25

SHORT TITLE: HYDROELECTRIC POWER; RENEWABLE ENERGY

SPONSOR(S): REPRESENTATIVE(S) THOMAS

03/13/09	(H)	READ THE FIRST TIME - REFERRALS
03/13/09	(H)	ENE, RES
03/24/09	(H)	ENE AT 3:00 PM BARNES 124

BILL: HB 31

SHORT TITLE: NET ENERGY METERING

SPONSOR(S): REPRESENTATIVE(S) OLSON

01/20/09	(H)	PREFILE RELEASED 1/9/09
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01/20/09 (H) READ THE FIRST TIME - REFERRALS  
01/20/09 (H) ENE, L&C  
03/24/09 (H) ENE AT 3:00 PM BARNES 124

**WITNESS REGISTER**

REPRESENTATIVE WILLIAM "BILL" THOMAS, JR.  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented HJR 25 as the sponsor.

KACI SCHROEDER-HOTCH, Staff  
Representative William "Bill" Thomas, Jr.  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on HJR 25.

CLAY KOPLIN, Manager  
Cordova Electric Cooperative  
Cordova, Alaska

**POSITION STATEMENT:** Testified in support of HJR 25, as amended.

HAP SYMMONDS, Chairman  
Board of Directors  
Cordova Electric Cooperative;  
Representative  
Ocean Beauty Seafood  
Cordova, Alaska

**POSITION STATEMENT:** Testified in support of HJR 25.

ROBERT GRIMM, CEO  
Alaska Power & Telephone  
Port Townsend, Washington

**POSITION STATEMENT:** Testified in support of HJR 25.

DOUGLAS OTT, Hydro Program Manager  
Alaska Energy Authority (AEA)  
Alaska Industrial Development & Export Authority (AIDEA) and  
Alaska Energy Authority (AEA)  
Department of Commerce, Community, & Economic Development  
(DCCED)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HJR 25.

JAMES HEMSATH, Deputy Director for Development

Alaska Industrial Development & Export Energy Authority (AIDEA)  
and the Alaska Energy Authority (AEA)  
Department of Commerce, Community, & Economic Development  
(DCCED)

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of the committee  
substitute for HJR 25.

JERRY MEDINA, Administrative Officer  
Inside Passage Electric Cooperative (IPEC)  
Auke Bay, Alaska

**POSITION STATEMENT:** Testified in support of HJR 25.

REPRESENTATIVE KURT OLSON  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As the sponsor. explained the origins of HB  
31.

JENNIFER SENETTE, Staff  
Representative Kurt Olson  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented HB 31 on behalf of Representative  
Kurt Olson, sponsor.

ERIC MUEHLING  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified during the hearing on HB 31.

MARK MASTELLER  
Mat-Su, Alaska

**POSITION STATEMENT:** Testified during the hearing on HB 31.

JIM ADAMS  
Nome, Alaska

**POSITION STATEMENT:** Testified in support of HB 31.

PETER MCKAY  
Kenai, Alaska

**POSITION STATEMENT:** Testified during the hearing on HB 31.

MIKE O'MEARA  
Representative  
Homer Electric Association Members Forum (HEA Members Forum)  
Homer, Alaska

**POSITION STATEMENT:** Testified during the hearing on HB 31.

MARGARET ADSIT, Energy Coordinator  
Alaska Center for the Environment (ACE)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the hearing on HB 31.

DAVE GARDNER, Vice President  
Marketing & Member Services  
Golden Valley Electric Association (GVEA)  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in opposition of HB 31.

ROBERT REAGAN, Rates & Tariffs Supervisor  
Anchorage Municipal Light & Power (ML&P),  
Municipality of Anchorage  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 31.

DEAN THOMPSON, Attorney-at-Law  
Kempel, Huffman & Ellis  
Representative, Alaska Power Association (APA)  
Anchorage, Alaska

**POSITION STATEMENT:** Representing the Alaska Power Association,  
testified in opposition to HB 31.

#### **ACTION NARRATIVE**

[3:52:38 PM](#)

**CO-CHAIR CHARISSE MILLETT** called the House Special Committee on Energy meeting to order at 3:52 p.m. Present at the call to order were Representatives Tuck, Dahlstrom, Ramras, Johansen, and Millett.

#### HJR 25-HYDROELECTRIC POWER; RENEWABLE ENERGY

CO-CHAIR MILLETT announced that the first order of business would be HOUSE JOINT RESOLUTION NO. 25, Urging the United States Congress to classify hydroelectric power as a renewable and alternative energy source.

[3:52:52 PM](#)

REPRESENTATIVE WILLIAM "BILL" THOMAS, JR., Alaska State Legislature, sponsor, presented HJR 25 that urges Congress to clarify hydroelectric (hydro) power as renewable. He said the federal government does not recognize hydro power as renewable,

probably because, in the Lower 48, hydroelectric power usually involves building a large dam that blocks a valley. In Alaska, however, there are high glacial creeks and streams that can be a source of energy with very little, or no, impact on the environment. Representative Thomas informed the committee he has five hydro generators in his district that are located high enough so there is no impact to salmon streams. He advised that if there is a favorable response to the resolution from the federal government, it will be possible to use further legislation to obtain matching funds from federal renewable energy funding sources.

[3:54:55 PM](#)

REPRESENTATIVE JOHANSEN moved to adopt the committee substitute (CS) for HJR 25, Version E, as the working document.

KACI SCHROEDER-HOTCH, Staff to Representative Thomas, Alaska State Legislature, presented the proposed changes to the resolution. The first change, on page 2, line 2, was the deletion of the references to specific areas of the state and the insertion of "entire state." The second change was in response to a request by the Alaska Industrial Development & Export Authority (AIDEA) for the deletion of the word "dam" on page 2, lines 4-5.

[3:56:14 PM](#)

REPRESENTATIVE DAHLSTROM asked whether the sponsor wants the resolution sent to the President also.

REPRESENTATIVE THOMAS said yes.

[3:57:06 PM](#)

CLAY KOPLIN, Manager, Cordova Electric Cooperative, informed the committee that because hydro is not considered a renewable source of energy, it is left out of funding opportunities at the federal level. Ironically, the upfront cost of hydro is similar to wind, but the life of hydro infrastructure is 50 to 100 years; therefore, hydro is the best solution for many parts of the state. He praised Representative Thomas and the work of the special committees on energy.

[3:58:42 PM](#)

HAP SYMMONDS, Chairman, Board of Directors, Cordova Electric Cooperative; Representative, Ocean Beauty Seafood, opined the resolution is long overdue. He asked whether the proposed deletion on line 5 was "require little or no dam construction and."

CO-CHAIR MILLETT said yes.

MR. SYMMONDS restated his support.

[3:59:58 PM](#)

ROBERT GRIMM, CEO, Alaska Power & Telephone, voiced his strong support of the resolution. His firm began in 1995 using 1 percent renewable fuel and 99 percent fossil fuel; presently, the company uses 31 percent fossil fuel and 68 percent renewable fuel. He noted that all of the renewable sources of energy now used by his company are hydro, although hydro does not meet the current definition of renewable; in fact, there is no provision of federal [funding] for new hydro. This is especially a problem for a young state, like Alaska, that does not have much of an existing hydro system. Finally, he opined the passage of this resolution "would show some leadership ...."

[4:02:02 PM](#)

DOUGLAS OTT, Hydro Program Manager, Alaska Energy Authority (AEA), Alaska Industrial Development & Export Authority (AIDEA) and Alaska Energy Authority (AEA), Department of Commerce, Community, & Economic Development (DCCED), stated his support for the resolution and that its passage would promote the development of hydro power in the state.

[4:02:38 PM](#)

JAMES HEMSATH, Deputy Director for Development, Alaska Industrial Development & Export Authority (AIDEA) and Alaska Energy Authority (AEA), Department of Commerce, Community, & Economic Development (DCCED), expressed his support for the committee substitute for HJR 25 and explained his agency was concerned that the wording in the resolution, prior to the change proposed by the CS, would eliminate the potential development of a large hydro power plant in Alaska.

[4:03:32 PM](#)

REPRESENTATIVE RAMRAS expressed his concern for halibut.

[4:03:57 PM](#)

REPRESENTATIVE THOMAS responded.

[4:04:13 PM](#)

JERRY MEDINA, Administrative Officer, Inside Passage Electric Cooperative (IPEC), read the following statement [original punctuation provided]:

Hydropower is a clean, domestic, and renewable energy source, that does not consume more water than is produced by nature. According the Energy Information Administration, of the renewable energy sources that generate electricity, hydropower is the most often used. It accounted for 6 percent of total U.S. electricity generation and 71 percent of generation from renewables in 2007.

Among the advantages of hydropower are low operating costs, because the fuel, water, comes free of charge. This contributes to provide inexpensive electricity, because no fossil fuels are required to produce the electricity, and the earth naturally replenishes the "fuel" supply. Hydropower is also one of the most efficient ways to generate electricity; modern turbines can convert as much as 90 % of the available energy into electricity. Hydropower energy produces no greenhouse gases or other air pollution and leaves behind no waste. And, unlike other energy sources such as fossil fuel, water is not destroyed during the production of electricity - it can be reused for other purposes.

Hydropower energy is very abundant in Southeast Alaska. Since water is a naturally recurring domestic product and is not subject to the whims of foreign suppliers, there is no worry of unstable fuel prices, fuel spillage or contamination issues, transportation concerns, or national security issues.

Water is one of our most valuable resources, and hydropower makes use of this renewable treasure. Hydroelectric power plants do not use up resources to create electricity nor do they pollute the air, land, or water.

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CO-CHAIR MILLETT closed public testimony.

[4:05:54 PM](#)

REPRESENTATIVE DAHLSTROM offered a conceptual amendment to page 2, line 16, that renumbered lines 16-21, and on page 2, line 16, inserted "Honorable Barack H. Obama, President of the United States;" after the word "the." There being no objection, Conceptual Amendment 1 was adopted.

[4:06:36 PM](#)

REPRESENTATIVE TUCK offered an amendment on behalf of Representative Petersen. The purpose of the amendment was to strengthen the resolution specifically for Alaska, in light of the fact that Alaska has ample water supplies and hydro is a well-accepted renewable resource in Alaska. Conceptual Amendment 2 read:

WHEREAS regions in the United States outside of Alaska have limited water supplies and water sources that can lead to classifying hydroelectric power as nonrenewable, but all areas of Alaska have ample water supplies that are capable of providing a renewable energy source for hydroelectric projects in the state.

[4:07:26 PM](#)

CO-CHAIR MILLETT objected for the purpose of discussion.

[4:07:40 PM](#)

REPRESENTATIVE JOHANSEN requested a written copy of the amendment.

[4:08:24 PM](#)

The committee took an at-ease from 4:08 p.m. to 4:09 p.m.

[4:09:32 PM](#)

Co-Chair Millett called the committee back to order at 4:09 p.m.

REPRESENTATIVE TUCK withdrew Conceptual Amendment 2.

[4:09:41 PM](#)

REPRESENTATIVE THOMAS stated his objection to Conceptual Amendment 2 was that a resolution specific to Alaska may prevent other states with similar issues "to get onboard."

[4:10:08 PM](#)

REPRESENTATIVE JOHANSEN appreciated the leadership shown by Representative Thomas for hydro across Alaska.

REPRESENTATIVE TUCK agreed and added that hydro is definitely renewable.

[4:11:32 PM](#)

REPRESENTATIVE DAHLSTROM moved CSHJR 25, Version E, with Conceptual Amendment 1, and attached zero fiscal note and individual recommendations. There being no objection, CSHJR 25(ENE) was moved out of committee with individual recommendations and the accompanying fiscal notes.

HB 31-NET ENERGY METERING

[4:12:08 PM](#)

CO-CHAIR MILLETT announced that the final order of business would be HOUSE BILL NO. 31, "An Act relating to net energy metering for retail electricity suppliers and customers; and providing for an effective date."

[4:12:30 PM](#)

REPRESENTATIVE KURT OLSON, Alaska State Legislature, informed the committee that HB 31 was a rewrite of a bill that died during the 25th legislative session.

[4:13:07 PM](#)

JENNIFER SENETTE, Staff to Representative Kurt Olson, Alaska State Legislature, informed the committee net metering is a method of metering energy consumed and produced at a home or business that has its own source of renewable energy. In its simplest form, net metering employs a standard electrical meter that records power going back from a household or business onto the electrical grid, and going from the electrical grid to the

household or business. Thus, when excess power is being generated by the household facility the excess power goes to the utility, the meter runs backward, and credits are earned for the consumer. At other times, power runs to the household and the meter runs normally. She continued to explain that at the end of the billing period, the customer pays for the net consumption of power. The proposed legislation is an arrangement whereby customers can offset part of the cost of their consumption of power. In addition, excess energy is flowing to the grid. Ms. Senette pointed out that the bill eliminates the need for the consumer to purchase a new meter, as the existing meters can be used, and also eliminates the need for storage batteries. These two factors are important in order to keep the installation of a household renewable system economic. She reviewed the key points of HB 31; Part (b) addresses the rates of the credits generated when a consumer puts excess energy back out onto the grid, and Part (c) addresses the rates at which the consumer can sell credits back to the retailer. In addition, Part (d) specifies that retailers organized as a cooperative are exempt, but can "opt in." She explained that the fiscal note reflects the cost of the addition of one more position at the Regulatory Commission of Alaska (RCA). Ms. Senette further explained that although 44 states allow net metering, each state has a different policy; thus the RCA declined to adopt federal net metering standards because the other systems are inappropriate for Alaska. The biggest difference between legislation in other states is how each state credits the excess energy that is put back onto the grid. She concluded that HB 31 encourages Alaskans to invest in small scale renewable energy systems by allowing them to generate credits.

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REPRESENTATIVE OLSON observed that this bill is a pre-file: in fact, the RCA has opened two dockets on this subject thus he requested that the committee hold the bill until the RCA issues its decisions.

[4:21:38 PM](#)

REPRESENTATIVE RAMRAS noted his conflict of interest, as he is an alternate energy producer.

[4:21:57 PM](#)

REPRESENTATIVE JOHANSEN asked whether a municipal utility enjoys the opt-in provision available to cooperatives.

4:22:30 PM

MS. SENETTE was unsure.

4:22:39 PM

ERIC MUEHLING informed the committee he produces solar electric power by a 10.5 kilowatt solar array that is connected to the local utility grid and that prevents the release of 1,000 pounds of CO2 gas into the atmosphere each month. Mr. Muehling pointed out that his local utility, GVEA, burns coal for much of the electricity used in Fairbanks. He said he strongly supports net metering; in fact, the legislation for net metering in most states allows the utility to pay the retail price for power and this is a powerful incentive for renewable power generation. This incentive serves the public good and is a public service as it avoids putting CO2 gas into the atmosphere. He acknowledged there will be opposition to net metering from public utilities, who now pay only one-half of the value of the power. The present system is a disincentive to conservation, discouraging to solar producers, and "plain wrong." Mr. Muehling opined the net effect of net metering on an electric utility is similar to the effect of electric energy conservation; for example, utilities encourage the use of fluorescent light bulbs, but reward customers that use higher levels of kilowatt hours. He stated that he strongly supported net metering; however, he asked whether HB 31 was for residential alternative producers only and how the legislation will determine intent. Also, he suggested the proposed Sec. 42.45.047 (a)(5) should allow cooperatives to "opt out" instead of "opt in."

4:27:05 PM

MARK MASTELLER stated he was a resident of Mat-Su where there are abundant sources of renewable energy. He stated his support for net metering legislation because it will improve energy security and stimulate economic development; in fact, he opined there will be an increase in local economic development after stable net metering is established. Regarding HB 31, he stated he was glad there was not an aggregate limit on the amount of net metering allowed, and he also supported the aspect of an annual accounting period. He suggested the maximum kilowatt size should be increased from 25 kilowatts to 100 kilowatts and that electric cooperatives and those that already use renewable sources should not be exempted.

[4:29:53 PM](#)

JIM ADAMS expressed his belief that this bill is an incentive for alternate power sources and he supported any incentive to reduce the dependence on diesel powered fuel generation.

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PETER MCKAY stated he is an advocate for distributed generation, homeowner-generated energy, and the homeowner's easy interconnection with their retail electrical supplier via a single bi-directional meter. Mr. McKay has been an active participant in RCA docket R 06-005 since 2006, and he opined the time for net metering in Alaska is now; however, it will require coordination between the legislative and regulatory branches of the state government. He stated that one of his concerns about HB 31 is the treatment of surplus energy by negotiated purchase power rates; for example, a contract with an utility that specifies both a time and an amount. There is also the option of a nonfirm rate that is a contract for an unspecified time and amount, and an "avoided cost" rate that is basically the cost of fuel. The bill proposes a firm power rate; however, he expressed his preference for "a retail credit that's rolled over to a full year, and then ... [the customer will] pay that price at the end of the annual settling-up period." The RCA proposed to essentially give "avoided cost" for a credit; therefore, there must be reconciliation between the RCA and the proposed legislation. Mr. McKay then pointed out the exemption of electrical cooperatives in HB 31 clearly discriminates against customers who buy power from the Homer Electric Association (HEA). He suggested that everyone should have the same opportunity to put home-generated electricity back onto the grid. In addition, the 25 kilowatt limit will discourage future power generation by larger industrial or small commercial customers, and he encouraged expanding the limit to 100 kilowatts.

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REPRESENTATIVE RAMRAS related GVEA is a cooperative and has an obligation to provide the cheapest rates to users; thus it is adamant that it not pass the cost of hooking up net metering onto its rate payers. Secondly, he suggested Mr. McKay should look at the Sustainable Natural Alternative Power (SNAP) program in effect at GVEA and in Chelan County, Washington.

[4:39:41 PM](#)

MIKE O'MEARA stated he represented the Homer Electric Association Members Forum (HEA Members Forum), an ad hoc group of 350 HEA members who support movement away from fossil fuels and toward renewable fuels. The HEA Members Forum advocates for net metering standards that can provide savings on energy costs, reduce the demand for power from the utility, create jobs, and supply clean energy to the grid. Regarding HB 31, the Members Forum supports an annual accounting period over a monthly accounting period due to variances in weather patterns. The Members Forum opposes the exemption of electrical cooperatives and crediting based on the negotiated firm power rate; in fact, it prefers crediting in kilowatt hours. Further, the Members Forum supports an increase in the limit on participation by kilowatt hours from 25 to 100 kilowatt hours, and encourages final language that will establish true net metering for all Railbelt utilities in a timely manner. Mr. O'Meara acknowledged that HEA is attempting to initiate a SNAP program; however, SNAP programs over time do not provide the dependable payback that net metering will thus are not an adequate replacement for net metering.

[4:44:35 PM](#)

MARGARET ADSIT, Energy Coordinator, Alaska Center for the Environment (ACE), informed the committee ACE is a not-for-profit environmental educational advocacy organization founded in 1971. Her organization has 6,000 members and its energy vision is to inspire individuals, businesses, and government entities to think about renewable energy, energy efficiency, and energy conservation. The ACE supports establishing statewide net energy standards; however, she recommended removing the provision in HB 31 that exempts cooperatives from participation. Ms. Adsit said this provision will waste time and undermine the net metering work underway at the RCA. She concluded that ACE supports the development of net metering in the state, provided that it occurs in a timely fashion that allows for an even application of net metering across the Railbelt.

[4:47:31 PM](#)

DAVE GARDNER, Vice President, Marketing & Member Services, GVEA, informed the committee GVEA has successfully encouraged power producers' participation through the SNAP program. This program meets the needs of the cooperative and its members better than net metering. Because SNAP is voluntary and self-supporting, it does not "cross-subsidize" costs for producers by other

members. In addition, SNAP producers share the funds collected from SNAP contributors, thus GVEA's program compensates SNAP producers at a higher rate than they would receive through net metering programs. Mr. Gardner observed that GVEA is participating in RCA's net metering and interconnection standards workshops and believes that if the state were to adopt net metering and interconnection standards legislation, the RCA should be the agency tasked with oversight and administration of the programs. Moreover, GVEA encourages a delay in passage of HB 31 while the RCA is investigating these issues.

[4:49:15 PM](#)

ROBERT REAGAN, Rates & Tariffs Supervisor, Anchorage Municipal Light & Power (ML&P), Municipality of Anchorage, stated that ML&P believes that net metering is potentially a very large subsidy paid by rate payers to fellow customers. Therefore, HB 31 is a violation of the cost-causer/cost-payer principle. He urged the committee to consider that the RCA has more expertise and information on this subject than the legislature, thus the legislature should not preempt a decision by the RCA. Furthermore, any exemptions in legislation should apply to all utilities equally, unless there is a compelling reason.

[4:51:28 PM](#)

DEAN THOMPSON, Attorney-at-Law, Kemppe, Huffman & Ellis, stated he was representing the Alaska Power Association (APA) that is a statewide trade group representing almost 40 municipal, cooperative, and other electric utilities. The APA encourages the committee to wait on any relevant legislation until the RCA completes its work that was begun in 2006. At that time the RCA opened a docket to consider federal requirements regarding a federal net metering standard, and it now has two dockets open to consider a specific Alaskan net metering standard and a specific Alaskan interconnection standard. He called attention to a technical workshop attended by industry representatives and net metering proponents that began to bridge the gap between the two sides. Mr. Thompson urged the committee to allow the RCA to make its decision in the best interest of all of the parties. Finally, he emphasized the APA and its members are not opposed to renewable generation or to customers who wish to offset their energy load; in fact, federal and state law gives the consumer-generator the right to sell power to an electric utility. Mr. Thompson opined the dispute is based on the price.

4:55:04 PM

HB 31 was held over for further public testimony.

**ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at [4:55 p.m.]