

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ENERGY

April 9, 2009

3:06 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative Nancy Dahlstrom
Representative Kyle Johansen
Representative Jay Ramras
Representative Pete Petersen
Representative Chris Tuck

MEMBERS ABSENT

Representative Charisse Millett, Co-Chair

OTHER LEGISLATORS PRESENT

Representative Berta Gardner

COMMITTEE CALENDAR

HOUSE BILL NO. 163

"An Act clarifying the purpose of the Alaska Natural Gas Development Authority; and relating to definitions of certain terms in AS 41.41."

- MOVED HB 163 OUT OF COMMITTEE

HOUSE BILL NO. 182

"An Act establishing the Greater Railbelt Energy and Transmission Corporation and relating to the corporation; relating to transition, financial plan, and reporting requirements regarding planning for the initial business operations of the Greater Railbelt Energy and Transmission Corporation; relating to a report on legislation regarding the Regulatory Commission of Alaska and the Greater Railbelt Energy and Transmission Corporation; authorizing the Alaska Energy Authority to convey the Bradley Lake Hydroelectric Project and the Alaska Intertie to the Greater Railbelt Energy and Transmission Corporation; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 191

"An Act relating to nuclear energy production and transportation of nuclear waste material; amending the definition of 'power project' or 'project' as it relates to rural and statewide energy programs and the Alaska Energy Authority; relating to the alternative energy revolving loan fund and amending the definition of 'alternative energy system' as it relates to that fund and to the conservation of energy and materials; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 148

"An Act relating to a state energy use reduction plan and energy efficiency improvement contracts and to energy audits of public buildings conducted by the Department of Transportation and Public Facilities; relating to agency capital budget requests; establishing an energy efficiency grant fund in the Alaska Housing Finance Corporation; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 163

SHORT TITLE: ALASKA NATURAL GAS DEVELOPMENT AUTHORITY

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

03/02/09	(H)	READ THE FIRST TIME - REFERRALS
03/02/09	(H)	ENE, RES, FIN
03/28/09	(H)	ENE AT 10:00 AM BARNES 124
03/28/09	(H)	Heard & Held
03/28/09	(H)	MINUTE(ENE)
04/09/09	(H)	ENE AT 3:00 PM BARNES 124

BILL: HB 182

SHORT TITLE: RAILBELT ENERGY & TRANSMISSION CORP.

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

03/12/09	(H)	READ THE FIRST TIME - REFERRALS
03/12/09	(H)	ENE, L&C, FIN
03/26/09	(H)	ENE AT 3:00 PM BARNES 124
03/26/09	(H)	Heard & Held
03/26/09	(H)	MINUTE(ENE)
04/09/09	(H)	ENE AT 3:00 PM BARNES 124

BILL: HB 191

SHORT TITLE: NUCLEAR POWER PRODUCTION/WASTE TRANSPORT.
SPONSOR(s): REPRESENTATIVE(s) JOHNSON

03/18/09 (H) READ THE FIRST TIME - REFERRALS
03/18/09 (H) ENE, RES
04/09/09 (H) ENE AT 3:00 PM BARNES 124

BILL: HB 148

SHORT TITLE: ENERGY EFFICIENCY PLAN AND GRANT FUND
SPONSOR(s): REPRESENTATIVE(s) GARA

02/23/09 (H) READ THE FIRST TIME - REFERRALS
02/23/09 (H) ENE, STA, FIN
04/09/09 (H) ENE AT 3:00 PM BARNES 124

JOE BALASH, Special Staff Assistant
Office of the Governor
Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on HB 163 and
HB 182.

BOB FAVRETTO, Member
Alaska Natural Gas Development Authority (ANGDA)
Board of Directors
Department of Revenue (DOR)
Kenai, Alaska

POSITION STATEMENT: Testified on HB 163.

HAROLD HEINZE, Chief Executive Officer
Alaska Natural Gas Development Authority (ANGDA)
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Provided testimony and answered questions
on HB 163.

TOM LAKOSH
Anchorage, Alaska

POSITION STATEMENT: Testified on HB 163.

PAUL D. KENDALL
Anchorage, Alaska

POSITION STATEMENT: Testified on HB 163.

PAUL FUHS
Anchorage, Alaska

POSITION STATEMENT: Testified on HB 163.

JEANNE OSTNES, Staff
Representative Craig Johnson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 191 on behalf of the prime sponsor of HB 191.

DONALD ANDERSON, Ph.D.
Anchorage, Alaska

POSITION STATEMENT: Testified on HB 191.

MARVIN YODER
Palmer, Alaska

POSITION STATEMENT: Testified on HB 191.

REPRESENTATIVE LES GARA
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified as the prime sponsor of HB 148.

JOEL ST. AUBIN, Engineer
Chief
Statewide Facilities
Office of the Commissioner
Department of Transportation & Public Facilities (DOT/PF)
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 148.

ACTION NARRATIVE

[3:06:56 PM](#)

CO-CHAIR BRYCE EDGMON called the House Special Committee on Energy meeting to order at 3:06 p.m. Representatives Dahlstrom, Petersen, Tuck, Ramras, and Edgmon were present at the call to order. Representative Johansen arrived as the meeting was in progress. Also present was Representative Gardner.

HB 163-ALASKA NATURAL GAS DEVELOPMENT AUTHORITY

CO-CHAIR EDGMON announced that the first order of business would be HOUSE BILL NO. 163, "An Act clarifying the purpose of the Alaska Natural Gas Development Authority; and relating to definitions of certain terms in AS 41.41."

[3:08:23 PM](#)

JOE BALASH, Special Staff Assistant, Office of the Governor, informed the committee the governor introduced HB 163 to broaden the authority of the Alaska Natural Gas Development Authority (ANGDA). The authority originally was created with statutory authority to take North Slope gas to tidewater. Previous changes to the statutes in 2004 were made in order to also review Cook Inlet in addition to Prince William Sound as a tidewater destination. This bill would allow ANGDA to consider gas supplies other than the North Slope for destinations in Southcentral Alaska.

The committee took an at-ease from 3:10 p.m. to 3:11 p.m.

[3:11:44 PM](#)

CO-CHAIR EDGMON asked Representative Ramras to introduce his amendment.

REPRESENTATIVE RAMRAS made a motion to adopt Amendment 1, as follows:

Page 1, line 1, following "**Authority**;"

Insert "**relating to prior approval by the governor or the commissioner of revenue before the exercise of certain powers of the Alaska Natural Gas Development Authority**;"

Page 2, following line 7:

Insert new bill sections to read:

"* **Sec. 3.** AS 41.41.200 is amended to read:

Sec. 41.41.200. Powers of the authority. In furtherance of its corporate purposes, in addition to its other powers, and subject to the approval by the governor under AS 41.41.210, the authority may

- (1) sue and be sued;
- (2) adopt a seal;
- (3) adopt, amend, and repeal bylaws and regulations;
- (4) make and execute contracts and other instruments;
- (5) in its own name acquire property, lease, rent, convey, or acquire real and personal property; a project site or part of a project site may be acquired by eminent domain;
- (6) acquire natural gas supplies;

(7) issue bonds and otherwise incur indebtedness in accordance with AS 41.41.300 - 41.41.410 in order to pay the cost of a project;

(8) accept gifts, grants, or loans from and enter into contracts or other transactions regarding gifts, grants, or loans with a federal agency or an agency or instrumentality of the state, a municipality, private organization, or other source;

(9) enter into contracts or agreements with a federal agency, agency or instrumentality of the state, municipality, or public or private individual or entity, with respect to the exercise of its powers;

(10) charge fees or other forms of remuneration for the use of authority properties and facilities;

(11) defend and indemnify a current or former member of the board or an employee or agent of the authority against the costs, expenses, judgments, and liabilities as a result of actions taken in good faith on behalf of the authority; and

(12) purchase insurance to protect its assets, services, and employees against liabilities that may arise from authority operations and activities.

* **Sec. 4.** AS 41.41 is amended by adding a new section to article 2 to read:

Sec. 41.41.210. Required approval. (a) The authority may not exercise the power in AS 41.41.200(5), (6), (7), (8), or (9) without the prior written approval of the governor after the governor finds that the project proposed or being developed by the authority is in the best interest of the state. The governor shall give written notice to the authority of the approval or denial of approval.

(b) The authority may not exercise the power in AS 41.41.200(4) without the prior written approval of the commissioner of revenue after the commissioner of revenue finds that the execution of the contract or other instrument is in the best interest of the state. The commissioner of revenue shall give written notice to the authority of the approval or denial of approval.

(c) The written approval or denial of approval in (a) or (b) of this section is a final administrative action for purposes of appeal to the superior court."

Renumber the following bill sections accordingly.

CO-CHAIR EDGMON objected for the purpose of discussion.

[3:11:58 PM](#)

REPRESENTATIVE RAMRAS expressed increasing alarm at ANGDA's recklessness and inability to "play well with others." He offered his support for Governor Palin's efforts for an in-state bullet line. He opined the state faces a unique situation, in which the governor's project manager, Harry Noah, and the chief executive officer of ANGDA, Harold Heinz, seem to disagree since Harold Heinze seems to want to "pull the state in another direction." He explained that HB 163 clarifies the purpose of ANGDA, but also expands its authority. He referred members to proposed section 4 of Amendment 1, and read:

The authority may not exercise the power in AS 41.41.200(5),(6),(7),(8), or (9) without the prior written approval of the governor after the governor finds that the project proposed or being developed by the authority is in the best interest of the state. The governor shall give written notice to the authority of the approval or denial of approval.

REPRESENTATIVE RAMRAS described ANGDA as a dysfunctional group, and one that is not following the instructions of the state. He opined ANGDA has a spotty record of following its specific instructions in the past six months. He suggested that this amendment would give more control to the governor and represents good public policy. With respect to other sections of Amendment 1, section 3 would address the Beluga to Fairbanks (B2F) project. He recalled hearing pipeline safety staff's concern at a recent energy convention over proposed black plastic pipe being buried in the ground from Glenallen to Beluga. Thus, this amendment will prevent the state from taking responsibility for that project. He reiterated that proposed section 4 will place ANGDA under the governor, at least during a period of time until the state has more clarity of how ANGDA will function as a productive quasi-entity within the state.

[3:15:47 PM](#)

MR. BALASH reviewed the amendment. He cautioned that he would not speak for the administration or the governor on Amendment 1. He pointed out that rarely does the governor make a finding in

statute, that those are typically duties assigned to a commissioner with expertise in the matters at hand.

[3:16:43 PM](#)

REPRESENTATIVE RAMRAS stressed that in this instance it is in the best interest of the state for the governor to have more authority in this regard. He recalled a news report that ANGDA failed to recognize the direction the state is headed on this issue. He feared that ANGDA was trying to set energy policy for the state. He preferred the governor provide leadership on the issue of an in-state gas pipeline and not a committee.

[3:17:45 PM](#)

CO-CHAIR EDGMON pointed out that HB 163 has two more committees of referral. He stated that he allowed Representative Ramras to introduce Amendment 1 as a concept. He then asked Representative Ramras to withdraw the amendment.

[3:18:19 PM](#)

REPRESENTATIVE RAMRAS withdrew Amendment 1.

CO-CHAIR EDGMON withdrew his objection.

[3:18:38 PM](#)

BOB FAVRETTO, Member, Alaska Natural Gas Development Authority (ANGDA) Board of Directors, Department of Revenue (DOR), related that he felt somewhat disturbed by Representative Ramras comments. He stressed the importance of recent dialogue at the ANGDA board meetings. He wished Representative Ramras had heard dialogue the ANGDA board had at those recent meetings. Additionally he suggested that Mr. Heinze could echo comments to the board.

[3:19:38 PM](#)

MR. FAVRETTO, in response to Representative Ramras, answered that the statutes clearly state that ANGDA has the authority over the proposed in-state natural gas pipeline and not Harry Noah, who is a representative appointed by the governor. He explained that it was somewhat unclear initially at the meetings as to the authority, but by the end of the meeting it was clear that moving the pipeline forward is a shared goal of both Mr. Heinze and Mr. Noah.

[3:20:32 PM](#)

HAROLD HEINZE, Chief Executive Officer, Alaska Natural Gas Development Authority (ANGDA), Department of Revenue (DOR), stated that he has not seen Amendment 1. He said that he takes exception to the characterization by Representative Ramras with respect to ANGDA. He offered that the past several months have been difficult due to a number of restrictions made by the administration. He explained that ANGDA has evolved from 2003, and especially last year with the governor's challenge to provide energy relief to communities in the Interior. Thus, ANGDA's efforts to modify the spur line to Fairbanks using Cook Inlet natural gas. Additionally, ANGDA revisited its long-term plan with respect to propane, in an effort to develop an opportunity to transport North Slope gas in the form of propane from the Beaufort Sea to western Alaska, and along the highway system to Fairbanks. Additionally, ANGDA's main focus has been to continue to work with Denali and TransCanada on the proposed gas pipeline. He expressed ANGDA's focus and emphasis on capturing the benefits of the intrastate commerce and for the state achieve the best consumer terms for intrastate commerce requires the ANGDA participate in the open season. Further, he opined that the routes under consideration for natural gas would require intermediate steps to bridge the gap until the availability of North Slope gas. He characterized ANGDA's efforts as being on target with the governor's program. He said he found it difficult to understand how ANGDA could be considered unresponsive to the needs of the governor.

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MR. HEINZE stated the purpose of HB 163 is to clarify ANGDA's long-term broad authority. He specified that many people believe ANGDA's purpose is to build a project. However, although it has that ability, ANGDA's emphasis is to move the project forward in the early stages, reduce risk for the private sector, and provide opportunities for financing so that the ultimate consumer receives the benefit.

[3:25:18 PM](#)

REPRESENTATIVE RAMRAS asked Mr. Heinze to define ANGDA's relationship with the governor's in-state gas pipeline chief, Harry Noah.

MR. HEINZE answered that Mr. Noah has been charged to work on a project for the governor that links the North Slope directly to areas inside the state without any dependence on gas from a large pipeline. He underscored ANGDA's cooperation and support for the in-state gas pipeline chief.

[3:26:50 PM](#)

REPRESENTATIVE RAMRAS refined his question and specifically asked whether he was "working with Mr. Noah" or if he was "deferential to Mr. Noah and the governor" with respect to building the proposed in-state gas bullet line.

MR. HEINZE answered that ANGDA has not been working on a bullet line or a line directly to the North Slope, but ANGDA supports that effort. He offered that the bullet line is one of several important options for the state. At the same time, ANGDA will pursue on a parallel track other efforts it has begun, such as to pursue the spur line, which would tap into a main line to Canada to bring some of the North Slope gas to markets in Southcentral Alaska. He conceded that a spur line may not benefit communities such as Fairbanks but will benefit other communities in the Cook Inlet area providing significant advantages over a bullet line. In further response to Representative Ramras, Mr. Heinze said it seems that AS 41.41 is clear on authority. He referred to a memorandum dated April 7, 2009 from Lisa Weissler and Larry Ostrovsky, Department of Law, that clarifies the actions ANGDA has taken are well within the statutory authority. He said he was not aware of any instructions from the governor that are counter to anything in the statutes.

[3:28:12 PM](#)

REPRESENTATIVE RAMRAS repeated his question, and asked whether Mr. Heinze is deferential to Mr. Noah.

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MR. HEINZE, in further response to Representative Ramras, explained he personally reports to the Board of Directors of ANGDA. He highlighted that the board has been very clear that ANGDA is to work in full cooperation with the governor's chief of the in-state pipeline. He understood that Mr. Noah represents the project to go to the North Slope directly for gas. At the same time, the board has not accepted that Mr. Noah has authority over matters that are prescribed in statute for

ANGDA's authority. He offered his belief that AS 41.41 is clear, that he also submitted a memorandum (memo) from the attorney general that ascertains that ANGDA actions are within its authority.

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MR. HEINZE then drew attention to the previously mentioned memorandum from the assistant attorneys general dated April 7, 2009. He offered his belief that the memo makes it clear that ANGDA has operated within its statutory authority and will continue to do so. He said in the long run that the bill will be helpful with respect to the bonding and banking instruments. He asked members to consider passing HB 163.

[3:31:41 PM](#)

TOM LAKOSH began his testimony by first qualifying that he is representing himself and is not an attorney. He understood that ANGDA has determined it is an undue burden for ratepayers in Southcentral Alaska to build a bullet line. He also understood that Representative Ramras is interested in a subsidy for his constituents prior to building the main gas pipeline. He opined that the public interest and ratepayers would be better served to stop the export of natural gas and developing the rest of the gas from Cook Inlet and still provide free propane to Fairbanks. He suggested state exploration and production in Cook Inlet would be much cheaper than a spur line or a bullet line. He further suggested exploring other options for Fairbanks for heating and gas supply.

[3:35:23 PM](#)

PAUL D. KENDALL commented that all Alaskans seem to talk about is natural gas. He said he thinks that Anchorage and the Matanuska-Susitna area could be converted to electric by using water and wind technology. He offered that if the state is going to propose a gas pipeline that he would like to see the specific proposal. He stated he would like to see an itemization of the name of each user, the amount of the use, and certify the use, such as a list of schools and the amount of usage. This would show the public who is using the gas and then the entities can pay for it. If school districts want to use fossil fuels, then he should not have to pay for their use of outdated technology, he opined. Additionally, he further stated he would like to see the total revenue and itemized expenditures for the costs of securing natural or piped gas. In closing, he

said he thinks the overall problem stems from not having a defined energy policy. He recommended a four to five day forum to assess wind, electric, and solar energy. He stressed the importance of an open process and not to allow proprietary or secret information.

[3:40:39 PM](#)

PAUL FUHS stated that he is representing himself, as a consumer of gas in Southcentral. He presented written information from the Western Alaska Energy Corridor, which was presented as the reason for the drafting of HB 163. He related that he had discussed an idea with some people at the Donlin Creek LLC, a Barrick NovaGold company with respect to running a spur line to pick up the big mines. [The Donlin Creek LLC proposes to work with the residents of the Yukon Kuskokwim to develop a gold mine 13 miles north of the Middle Kuskokwim River village of Crooked Creek.] He expanded by explaining this was a potential means of supplying villages in Western Alaska with energy. He opined that ANGDA's authority was limited geographically. Thus, HB 163 was drafted to remedy that issue. He stated that this bill would allow ANGDA to work in other parts of the state outside of the main pipeline corridor. He opined that another instance might be if a gas pipeline goes through Canada that a smaller pipeline could be built to Haines or down the Taku River to Southeast Alaska. He noted that the statutes provide that the board is appointed by the governor. He also offered his belief that a problem of cooperation between ANGDA and the in-state pipeline does not exist.

[3:42:44 PM](#)

MR. FUHS, in response to Representative Johansen, stated he supports HB 163 to allow ANGDA to work in other areas of the state. He pointed out that the letter on the back of his handout is from Senator Lyman Hoffman asking ANGDA to analyze this proposal and perform a baseline analysis for feasibility. He stated that the Department of Law answered that the statutes do not allow ANGDA to operate outside the pipeline corridor.

[3:43:10 PM](#)

REPRESENTATIVE JOHANSEN stated he thought Mr. Fuhs should have provided the information sooner to allow members to digest new information.

MR FUHS apologized.

[3:44:02 PM](#)

CO-CHAIR EDGMON, after first determining no one else wished to testify, closed public testimony on HB 163.

[3:44:12 PM](#)

REPRESENTATIVE RAMRAS commented that he did not hear an answer from Mr. Heinze. He stated that it was unclear how ANGDA operates, but the bill expands the authority of ANGDA. He said that he would not support HB 163. He opined that the bill gives more authority to ANGDA, when ANGDA has not currently demonstrated it can move responsibly with the administration.

[3:45:53 PM](#)

REPRESENTATIVE DAHLSTROM moved to report HB 163, Version 26-GH1057\A out of committee with individual recommendations and the accompanying fiscal notes.

[3:46:10 PM](#)

REPRESENTATIVE RAMRAS objected.

A roll call vote was taken. Representatives Johansen, Tuck, Dahlstrom, and Edgmon voted in favor of HB 163. Representatives Ramras and Petersen voted against it. Therefore, HB 163 was reported out of the House Special Committee on Energy by a vote of 4-2.

[3:47:19 PM](#)

The committee took an at-ease from 3:46 p.m. to 3:48 p.m.
HB 182-RAILBELT ENERGY & TRANSMISSION CORP.

[3:48:39 PM](#)

CO-CHAIR EDGMON called the meeting back to order.

CO-CHAIR EDGMON announced that the next order of business would be HOUSE BILL NO. 182, "An Act establishing the Greater Railbelt Energy and Transmission Corporation and relating to the corporation; relating to transition, financial plan, and reporting requirements regarding planning for the initial business operations of the Greater Railbelt Energy and Transmission Corporation; relating to a report on legislation

regarding the Regulatory Commission of Alaska and the Greater Railbelt Energy and Transmission Corporation; authorizing the Alaska Energy Authority to convey the Bradley Lake Hydroelectric Project and the Alaska Intertie to the Greater Railbelt Energy and Transmission Corporation; and providing for an effective date."

[3:48:47 PM](#)

MR. BALASH presented HB 182. He explained that HB 182 is the result of a joint effort by the governor, the utilities, and Alaska Energy Authority (AEA) to bring joint planning, operation, and investment for the Railbelt electric grid. He offered that this effort has spanned the past year and a half with ongoing discussions being held with the utilities. He explained the proposed bill creates a two-step process, such that the corporate governance structure would continue during the legislative interim, while an integrated resource plan is being undertaken by the AEA. He highlighted that the utilities' corporate board would develop a transition plan and finance plan for the next legislative session. He stated the purpose of the bill is to move the Railbelt forward to the next generation. He remarked that the boards of all six utilities met last week and decided they wanted to participate in developing the governance structure, as well as the outcome of the integrated resource plan (IRP). Thus, the boards request to have HB 182 set aside this year, to form a task force, and put together a plan. He anticipated the board would hold several meetings and make recommendations on the corporate governance structure by October 1. This timeline would allow the administration to continue to work on the IRP and to work on the transition and finance plan, culminating in a single step plan next January. He said he hoped to furnish a letter signed by the chairs of all six Railbelt utility boards soon supporting this change. He offered to provide it to the committee co-chairs.

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CO-CHAIR EDGMON announced HB 182 would be held over.

HB 191-NUCLEAR POWER PRODUCTION/WASTE TRANSPORT.

[3:53:15 PM](#)

CO-CHAIR EDGMON announced that the next order of business would be HOUSE BILL NO. 191, "An Act relating to nuclear energy production and transportation of nuclear waste material; amending the definition of 'power project' or 'project' as it

relates to rural and statewide energy programs and the Alaska Energy Authority; relating to the alternative energy revolving loan fund and amending the definition of 'alternative energy system' as it relates to that fund and to the conservation of energy and materials; and providing for an effective date."

[3:53:22 PM](#)

JEANNE OSTNES, Staff, to Representative Craig Johnson, Alaska State Legislature, Presented HB 191 on behalf of Representative Craig Johnson, prime sponsor of HB 191. She explained that HB 191 would update statutes and level the playing field for all types of energy, including nuclear energy. She stated that the Alaska statutes and regulations do not address alternative fuel sources. She referred to the dictionary definition of alternative fuel, which includes energy types that are unconventional and non-traditional such as nuclear energy. She noted items in members' packets, including reports prepared by Donald Anderson, Ph.D., and information related to the current statutes, as well as comparisons between the bill and the proposed committee substitute. She explained that the Division of Investments indicates that Alternative Energy loans range up to 15 percent for those loans. Thus, the rate is capped at 8 percent, similar to HB 196. Additionally, she indicated that the sweep has been removed.

[3:55:44 PM](#)

REPRESENTATIVE JOHANSEN moved to adopt the proposed committee substitute (CS) for HB 191, Version 25-LS0185\E, Kane, 4/07/09, as the work draft. There being no objection, Version E was before the committee.

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CO-CHAIR EDGMON objected for the purpose of discussion.

[3:56:08 PM](#)

MS. OSTNES stated that the energy guide prepared by the AEA lists nuclear energy as one of the technologies that is good for the state, with Galena listed as a community that is closest to having a "suitcase" nuclear reactor for energy. She further stated that Dittman Research Association of Alaska, in Anchorage, conducted a poll in March 2009, and reported that respondents indicated a preference for nuclear energy over oil, coal, and tidal power. She mentioned that nuclear energy is

also becoming safer. She opined that Galena is targeting 2015 as the earliest date for completing the Nuclear Energy Regulatory Committee process. She reiterated that HB 191 would amend the statute so nuclear energy can be considered.

[3:57:42 PM](#)

REPRESENTATIVE PETERSEN asked if nuclear energy is considered an alternative form of energy, whether Galena or other areas would be able to apply for state loans and grants.

[3:58:14 PM](#)

MS. OSTNES answered yes.

[3:58:22 PM](#)

REPRESENTATIVE PETERSEN asked what size is the plant and cost under consideration in Galena.

MS. OSTNES answered that the plant would be 10 megawatts, but she was not certain of the cost.

DONALD ANDERSON, Ph.D., read a prepared statement:

I am testifying today as a citizen interested in energy production, but with no fiduciary interest beyond that of the regular household consumer. I am not a nuclear engineer, although my education included some coursework in that area. I am here to ask you to support HB 191. I consider this bill a cleanup of state statutes, and it is designed to level the energy production playing field. We badly need to allow Alaskans to choose their generating technology based on economic, safety, health, and reliability criteria. Under current law what may be the best technology in some cases is not under active consideration.

Specifically, use of nuclear energy as the heat source to drive generating turbines has some specific advantages for locations where fuel transportation is costly or sporadic. It also provides a steady, reliable source of baseload power, unlike wind, or tides, or the sun. Nuclear power plants cost a great deal, but fuel costs are very low. The energy density of the fuel is 2.7 million times as much as coal. The resulting overall costs are about the same as coal.

The resulting overall costs are about the same as coal fired power, and much lower than liquid fuel or natural gas, although these are location dependent.

At present the smallest reactor design being prepared for licensing is the 10 megawatt unit proposed for Galena. This is far larger than needed by the smaller Alaskan villages, but these small units may be appropriate in many locations around the state such as: Bethel or Copper Valley, Cordova, Dillingham, Galena, Kodiak, Kotzebue, Naknek, Nome, Tok, Unalakleet, Unalaska, and Yakutat.

Jeanne Ostnes has been kind enough to duplicate some material I have written, so it could be included in your packets. Although I doubt you have time to read much before the end of the session, you might put a check mark on the paper I prepared for the board of Chugach Electric giving some history and background on nuclear power and a paper I prepared on the disposal of high-level nuclear waste.

I hope you will promptly move HB 191 forward. The lack of a full range of energy options means plans may be delayed, unnecessarily expensive, or less safe than they otherwise would be. Thanks for your attention. I'll answer any questions to the extent I can do so.

[4:02:21 PM](#)

MARVIN YODER, stated that he previously lived in Galena, and requested the bill in order to add options for Alaska. He characterized Alaska as a diverse state and noted that Galena looked at options, but cannot use wind or hydroelectric power. He explained that the U.S. Department of Energy prepared a study that evaluated options and suggested nuclear power as a cost effective measure for Galena. He related the purpose of the bill is to level the playing field and make sure all options are available. He clarified that other options may be available to other communities. He provided details, such that three companies offer small nuclear reactors. He compared the main nuclear plants being built in the U.S. which are about 15 megawatts, with the current Railbelt needs at only 800 megawatts. He offered that Galena is not considering a large scale nuclear project but rather the projects would be small regional ones that may connect some villages to small grids. He

reiterated the purpose is to reduce energy costs to small villages and as an alternative.

[4:04:27 PM](#)

REPRESENTATIVE DAHLSTROM asked for clarification that this bill was at his request.

MR. YODER answered that last year he reviewed the statutes that pertained to nuclear energy. He discovered Representative Johnson introduced a bill and joined his efforts in progress. In further response to Representative Dahlstrom, Mr. Yoder explained that Mr. Don Anderson and he had worked on this issue.

[4:05:30 PM](#)

CO-CHAIR EDGMON asked for capital costs for smaller nuclear facilities that range approximately 10 megawatts.

[4:05:38 PM](#)

MR. YODER answered that Toshiba is currently revising cost estimates, but he recalled some years ago that a 10 or 50 megawatt facility would be amortized over 30 years for a cost of 6 or 7 cents a kilowatt. He projected the costs for a 10 megawatt facility would be about three times that due to the economies of scale. He advised he requested an update on the two year old figures, but estimated that amortizing the operating and capital costs over 30 years would be 20 cents and the 50 megawatt under 10 cents per kilowatt hour (Kwh).

[4:06:49 PM](#)

CO-CHAIR EDGMON further asked for the bricks and mortar capital costs associated with the 10 megawatt facility.

[4:06:55 PM](#)

MR. YODER answered the original estimate came in at \$2,500 per kilowatt for the 50 megawatt unit, calculated as part of the whole project. In further response to Co-Chair Edgmon, Mr. Yoder clarified that a 50 megawatt unit at \$2,500 per kilowatt would cost \$125 million. He speculated the overall costs would probably range from \$150 to \$200 million by project completion.

[4:07:24 PM](#)

MS. OSTNES offered that Galena currently pays about 70 cents per Kwh. She explained that the federal stimulus funds may be available for alternative energy, and Alaska could qualify if nuclear is identified as an alternative fuel. She referred to a letter of support in members' packets from the Alaska Power Association (APA), which is the statewide trade association for the electric utilities that supply power to many communities. She mentioned that APA outlined that the statutes need to be updated or "contemporized," and it recognizes that communities need to have flexibility to choose what works best for them.

[4:08:44 PM](#)

REPRESENTATIVE PETERSEN asked what the plan is for the spent nuclear waste or rods.

MR. YODER answered that according to Toshiba, the nuclear component and sodium coolant would be sealed in a container. Thus, the plan would be to send the sealed container outside Alaska at the end of 30 years.

[4:09:58 PM](#)

REPRESENTATIVE PETERSEN pointed out that he was not aware of any location currently for disposal of nuclear waste. He expressed concern that if the facility was built and at the end of the 30 year period no disposal site was identified, that Alaska would have to dispose of the nuclear waste in-state.

[4:10:14 PM](#)

MR. YODER agreed. He understood that nuclear waste disposal presents a problem. He further understood that a program has been initiated to recycle nuclear waste, which he supports. He opined that such a program would reduce the volume and radioactivity by 90 percent. He pointed out that the proposed nuclear facility would have the capacity to burn recycled nuclear fuel. He offered his belief that some other countries currently are successfully reducing waste. He acknowledged that the United States has a problem, but the U.S. has been charging each nuclear plant "backend" fees so the federal government has \$5 billion to sort out the issue of nuclear waste disposal, but has not done so due to political reasons.

[4:11:10 PM](#)

CO-CHAIR EDGMON held over HB 191 for further discussion. He reiterated that he previously removed his objection and the CS Version 25-LS0185\E, Kane, 4/07/09, is before the committee.

HB 148-ENERGY EFFICIENCY PLAN AND GRANT FUND

4:12:15 PM

CO-CHAIR EDGMON announced that the final order of business would be HOUSE BILL NO. 148, "An Act relating to a state energy use reduction plan and energy efficiency improvement contracts and to energy audits of public buildings conducted by the Department of Transportation and Public Facilities; relating to agency capital budget requests; establishing an energy efficiency grant fund in the Alaska Housing Finance Corporation; and providing for an effective date."

4:12:39 PM

REPRESENTATIVE LES GARA, Alaska State Legislature, prime sponsor, introduced HB 148. He explained that he has worked with Representative Thomas to put together an energy efficiency bill. He pointed out that most states have a statewide energy plan, but Alaska does not. He pointed out an energy plan is not just a piece of paper. He recalled that alternative energy includes solar, wind, and nuclear power, which are alternatives to fossil fuels. However, the best way to reduce emissions is to reduce overall energy usage. He stated that energy efficiency is considered the fifth fuel, is termed "negawatts," and saves money. He pointed out that a pilot project in Anchorage estimates it will save \$1 million per year through energy use by changing its lighting. He pointed out changing lighting is the fastest way to reduce energy costs.

REPRESENTATIVE GARA explained that HB 148 has two main components. One is to create a grant fund, similar to the Renewable Energy Fund, to fund construction and renovation projects for non-state entities, such as municipalities. The grant fund would be targeted to those projects that will provide the greatest benefit per dollar spent. He also recognized the legislature would need to decide the appropriate funding level for the grant fund. Additionally, another component requires the state to prepare and adopt an energy plan. The bill requires departments to focus on projects that will pay for themselves within 15 years, and requires the Department of Transportation & Public Facilities (DOT/PF) to manage public facilities using standards. He pointed out that one applicable standard is the International Energy Conservation Code (IECC).

He offered that the bill encourages the use of performance contracting, which is a way for state agencies to realize cost savings without having to pay for them in advance. He explained performance contracting such that the state would hire a private contractor, who is then paid from a portion of the energy savings. He provided an example, such as has been done in a pilot program at the Dimond Courthouse, as well as three other locations in the state.

REPRESENTATIVE GARA opined that committee members are aware of the need for a plan, and that other side benefits exist. He highlighted that the construction industry is moving toward using the IECC; AHFC has adopted the IECC code for residential properties, although he admitted this bill does not apply to residential properties. He offered other support for the IECC, such as the Alaska Homebuilders Association's support, that the Alaska Housing Finance Corporation (AHFC) is also using the IECC on construction it finances. He reiterated the components: the grant fund and the energy plan to require energy efficiency construction and retrofits. He opined that in the long run the bill's fiscal note is a negative. However, these changes will not happen without requirements in statute. He suggested the legislature's focus is on the current cost, while this bill is geared to look at the state's cost in 10 or 15 years. He remarked that he worked closely with DOT&PF on the bill, but that he is unsure who will administer the grant fund since the state does not currently have an energy agency. He noted that the Alaska Energy Authority (AEA) has held a limited role but it has been expanding its role, and that AHFC has performed energy efficiencies in residences, but does not perform energy efficiencies in commercial buildings. He offered that several knowledgeable agencies have experts, such as the DOT/PF, but at this time the key agency has not identified. He offered his view that HB 148 would force the state to plan and it would save money.

[4:20:34 PM](#)

REPRESENTATIVE TUCK asked how the pilot program is functioning for the Dimond Courthouse.

REPRESENTATIVE GARA deferred to DOT/PF to address the Dimond Courthouse. However, he explained that part of the proposed energy plan will ask the state to use performance contracting if cost-effective.

[4:21:23 PM](#)

REPRESENTATIVE RAMRAS inquired as to whether Representative Gara is also working with co-chairs of the House Special Committee on Energy.

REPRESENTATIVE GARA answered that he has been working with Representative Thomas and with Senator Wielechowski's office.

[4:21:55 PM](#)

REPRESENTATIVE JOHANSEN referred to page 3, lines 4-5, of the bill which would give a priority to projects that serve municipalities or unincorporated communities with a population of less than 15,000. He asked whether greater cost savings could be had in larger communities.

REPRESENTATIVE GARA offered that the grants would be awarded by considering three factors: the highest level of energy savings, priority to small communities since the cost of energy is generally much higher than in large communities, and encourage communities to seek funding from other sources. He elaborated that larger communities also have larger tax bases than smaller communities.

[4:24:03 PM](#)

REPRESENTATIVE JOHANSEN referred to page 2, lines 27-28, and to page 4, line 18, of the bill which lists standards. He asked for clarification on the various standards in HB 148.

REPRESENTATIVE GARA referred to the first option on page 2, for new construction projects to qualify lists an option to the IECC or to the Leadership in Energy and Environmental Design (LEED) standards. He explained that both building standards are listed because some agencies, such as the university, or municipalities currently use one or the other standard. He opined that both standards are highly regarded energy efficiency standards and if a local government has already adopted one, that the bill would recognize that standard can be used. However, the IECC is only mentioned in proposed section 44.42.067 which is the energy plan portion of the bill. Thus, if the state will undergo a large construction project, it must pick one or the other. He opined that the IECC is the more widely accepted.

[4:25:59 PM](#)

JOEL ST. AUBIN, Engineer, Chief, Statewide Facilities, Department of Transportation & Public Facilities (DOT/PF, stated he was available for questions.

[4:26:27 PM](#)

REPRESENTATIVE RAMRAS asked how much more it would cost to construct a building using LEED standards and if this bill requires the LEED standard be used to retrofit a building.

MR. ST. AUBIN answered that he would need to look at a specific project to determine the cost estimate. However, to meet the LEED certification on a current project in Bethel, Alaska will cost the DOT&PF an additional \$250,000. He stated that the cost is less than a 1 percent increase.

[4:27:17 PM](#)

CO-CHAIR EDGMON asked for the size of the building in the specified project.

MR. ST. AUBIN responded that it the project is roughly a 20,000 square foot building, with a budget of \$16 million.

REPRESENTATIVE GARA reiterated that the bill does not apply to private buildings. He added that unless a municipality has preferred the LEED over the IECC standard that it can choose to follow LEED. He added that it would be a local decision and that retrofitting is not covered under HB 148, except for state buildings that estimate cost savings over 15 years garner savings more than the cost of the retrofit.

[4:28:19 PM](#)

REPRESENTATIVE PETERSEN asked for the average pay back time if standards are increased to LEED standards.

REPRESENTATIVE GARA stated he was unsure of the average cost. He opined that often LEED considers insulation such as windows. However, he remarked that the lighting efficiency is generally about two years. Thus, the bill is important just in terms of lighting.

[4:30:02 PM](#)

REPRESENTATIVE GARA, in response to Co-Chair Edgmon, suggested that during an expanded hearing that it would be useful to bring

in cold climate experts for future testimony. He offered his belief that they do support IECC standards. However, he agreed some minor elements of the codes do not make sense, such as the preference for white, which is more energy efficient in warmer climates, but it does not make sense. He remarked that the bill addresses aspects of the code that do not make sense.

[4:30:58 PM](#)

REPRESENTATIVE GARA concluded that the bill represents a lot of work, but is comprehensive. He encouraged committee to at least consider working on the lighting aspect.

[4:32:28 PM](#)

CO-CHAIR EDGMON requested further information and any back-up.

REPRESENTATIVE TUCK related that he serves on the Anchorage School District School Board, which had six schools in its pilot program. He offered the results were amazing savings. He commented that if the state can make it easier for schools that it could free up some money for other educational purposes.

CO-CHAIR EDGMON announced that HB 148 would be held over for further consideration.

[4:33:59 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 4:33 p.m.