

ALASKA STATE LEGISLATURE
JOINT MEETING
SENATE SPECIAL COMMITTEE ON ENERGY
HOUSE SPECIAL COMMITTEE ON ENERGY
Challenger Learning Center, Kenai

August 7, 2009

2:13 p.m.

MEMBERS PRESENT

SENATE SPECIAL COMMITTEE ON ENERGY

Senator Lesil McGuire, Chair

HOUSE SPECIAL COMMITTEE ON ENERGY

Representative Charisse Millett, Co-Chair

Representative Kyle Johansen

Representative Pete Petersen

Representative Chris Tuck

MEMBERS ABSENT

SENATE SPECIAL COMMITTEE ON ENERGY

Senator Lyman Hoffman

Senator Albert Kookesh

Senator Bert Stedman

Senator Bill Wielechowski

HOUSE SPECIAL COMMITTEE ON ENERGY

Representative Bryce Edgmon, Co-Chair

Representative Nancy Dahlstrom

Representative Jay Ramras

OTHER LEGISLATORS PRESENT

Senator Huggins

Representative Chenault

Representative Olson

Representative Seaton

COMMITTEE CALENDAR

Statewide Energy Plan

PREVIOUS COMMITTEE ACTION

No previous action to consider

WITNESS REGISTER

LARRY PERSILY

House Finance Committee Aide for Representative Hawker
State Capital Bldg.
Juneau, AK

POSITION STATEMENT: Presented the status of federal economic stimulus funds.

DAVE CAREY, Mayor

Kenai Peninsula Borough

POSITION STATEMENT: Commented on keeping the Kenai Peninsula Borough at the forefront of developing alternative (especially geothermal) and conventional energies. Supported a statewide energy plan.

MARK FOSTER

Representing Matanuska Light & Power on a Joint Utility Task Force

POSITION STATEMENT: Presented a status report for the Joint Utility Task Force.

JODI MITCHELL

Inside Passage Electric Cooperative
Southeast Alaska

POSITION STATEMENT: Supported an energy plan that considered regional integrated resource planning process.

FRANK CORBIN, General Manager

Nushagak Cooperative
Dillingham, AK

POSITION STATEMENT: Said section 2 of HB 219 brings the economists in much too late.

KATHLEEN WILSON

Mainland Co.
Kenai, AK

POSITION STATEMENT: Commented on conservation and energy issues.

CLAY KOPLIN

Cordova Electric Cooperative

POSITION STATEMENT: Commented on his support for hydro power.

MARILYN LELAND, Executive Director
Alaska Power Association (APA)

POSITION STATEMENT: Supported a statewide energy plan.

JIM STRANDBURG, Project Manager
Alaska Energy Authority

POSITION STATEMENT: Supported statewide energy planning.

BRAD REESE, General Manager
Kotzebue Electric Cooperative

POSITION STATEMENT: Supported statewide energy planning.

MERA KOHLER, President and CEO
Alaska Village Cooperative

POSITION STATEMENT: Commented on how rural energy issues relate to state energy planning.

PAT HAWKINS, representing himself
Soldotna, AK

POSITION STATEMENT: Wanted an in-state gas line.

BILL WARREN, retired pipefitter and welder
Nikiski, AK

POSITION STATEMENT: Supported an in-state gas line.

JIM KAUFFMAN, representing himself
Kenai, AK

POSITION STATEMENT: Supported an in-state gas line and investing some Permanent Fund money permanently in sustainable electricity generation.

RICHARD DeMILLO, representing himself
Kenai, AK

POSITION STATEMENT: Urged lawmakers to do something about the energy situation.

JOHN LANDUA
Engineering and Technical Services, Inc.
Kenai, AK

POSITION STATEMENT: Supported an in-state gas line, having a Department of Energy and statewide energy planning.

ACTION NARRATIVE

[2:13:24 PM](#)

CO-CHAIR CHARISSE MILLETT called the joint meeting of the House and House Special Committees on Energy to order at 2:13 p.m. Present at the call to order were Representatives Peterson, Johanson, Tuck, Chenault, and Millett; Senator McGuire.

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LARRY PERSILY, House Finance Committee Aide for Representative Hawker, presented the status of federal economic stimulus funds. Three other pots of energy efficiency funding are coming to Alaska through the stimulus program: \$18 million to the Alaska Housing Finance Corporation (AHFC) for the existing home weatherization, \$9.6 million under the Energy Efficiency and Conservation Block Grants provision of the stimulus act; of that, 60 percent has to go to communities, 30 percent goes to the Alaska Energy Authority (AEA) and AHFC. The AEA will likely administer the grants to communities for the 60 percent. AEA and AHFC are working to develop criteria for the grants and the selection process for that 60 percent.

He said the \$9.6 million can go to retrofits of residential and commercial buildings, public buildings, heating system upgrades, energy efficiency audits, lighting upgrades, public outreach and most anything that will help reduce energy costs.

In addition to the \$9.6 million that is going to the state, \$4.5 million under the stimulus act is going directly to the top 10 cities and top 10 boroughs in Alaska by population. They will receive their money directly from the federal government rather than going through legislative appropriation. For instance, the Kenai Peninsula Borough is in line for \$192,000 and the City of Kenai for \$50,000. Sixty percent of the \$9.6 million that is going to the state must go to cities and boroughs that don't receive funding under the top 10. In addition to the money going to the state and municipalities, about \$12 million is going directly to 241 tribal governments in Alaska - an average of about \$51,000 each.

MR. PERSILY said the \$28 million that will be the subject of Monday's special session is for the State Energy Program. It is not a new program; it has been around since 1996 and a precursor of this federal program dates back to 1976. There has never been much money in the past, and the stimulus money jumps it up quite a bit. Under federal law the money goes to each state's official designated energy office, and in Alaska that is the AHFC.

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A 1996 Memorandum of Understanding (MOA), amended in 2001, says the state energy program funds that come to Alaska are shared 50/50 between AEA and AHFC. He has been told by the administration if the Legislature overrides the \$28 million veto, Governor Parnell will get personally involved in how it gets spent rather than letting it go out under the MOA.

MR. PERSILY said the Department of Energy's (DOE) objectives for the State Energy Program are clear, but broad - to increase energy efficiency to reduce costs for consumers, businesses and government, to reduce reliance on imported energy, to improve the reliability of electricity and fuel supplies and reduce the effects of energy production and use on the environment. The money can go toward retrofits, weatherizations, loans or grant programs for energy efficiency projects, to municipalities; it can be used for promotion, public education of energy efficiency standards, street lighting upgrades, and almost anything that would save energy costs. The money cannot go toward land purchases or new construction of new buildings; it cannot go to non-energy related repairs, roof rot or to pure research.

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In the past a 20 percent state match was required, but it has been waived for the stimulus funding. If the Legislature fails to override, the money will stay with the Treasury and not go to other states. The application deadline was on May 12, and the AHFC submitted a bare bones application to save a place. The Department of Energy has agreed to accept a late amended version and want it wrapped up by September 30.

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The Legislature can override the veto, but not direct the funding. The spending decisions are up to the executive branch and the governor.

In March AHFC and AEA submitted their spending proposals to the Office of Management and Budget, but the governor didn't adopt any proposals at that time. The state can amend its spending plan in its final application to the Department of Energy. AHFC proposed \$4.5 million for community building weatherization, \$2 million for weatherization and rebate support in the Energy Program, \$4 million for a home-based renewable energy program, \$1.8 million for consumer education and \$2 million to work on statewide energy efficiency standards.

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AEA proposed adding \$7 million to the Renewable Energy Fund, \$2.5 million for development of renewable energy, \$3.9 million for energy efficient equipment rebates and incentives, \$775,000 for energy efficiency training and education, and \$100,000 for commercial facility energy audits.

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MR. PERSILY related that the federal rules for the state energy program funds have become contentious. The DOE requires the governor pledge that the state will promote and encourage improved energy efficiency for residential and commercial buildings - period. A letter from the Department of Energy dated August 5 confirmed that the Legislature does not need to adopt, impose or enforce a statewide building code in order to qualify for state energy program funds. It further explained that the state must provide assurances to the Department of Energy that it will encourage, promote and assist municipalities that choose to adopt their own energy efficiency codes to achieve the goals of the program, which are reduced energy consumption in public and private buildings.

Alaska is the only state that has not been approved for the state energy program stimulus funding. The other 49 have submitted the required assurances to the Department of Energy.

He surmised that a lot of the controversy came in February when the original report was that states would have to comply with model energy efficiency standards for 90 percent of square footage of new and renovated buildings by 2017. Later the DOE determined that meeting energy efficiency standards was not a mandate, but a goal. They want each state to prepare a plan about how they will do it; it is not due at the time of application for the funds. An acceptable plan would include outreach, education efforts among home owners, commercial property owners, builders, lenders, others involved in the industry, assisting local municipalities that choose to adopt energy efficiency standards - pretty much a general plan to promote efficiency and savings and then report on the results of that plan.

The DOE has issued a contract to the Pacific Northwest National Laboratory to draft voluntary compliance standards for states that want to measure their success at improved energy efficiency, the idea being that states might want to compare themselves to others.

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REPRESENTATIVE CHENAULT said the AEA proposal talks about spending \$3.9 million for energy efficiency equipment, rebates and incentives. Some individuals who want to put in wind mills for their own home use have asked why wind farms for nonprofits would be incentivized, but not them.

MR. PERSILY replied that incentives for wind power would be an allowable use for the \$28 million. He thought the AEA and AHFC would welcome suggestions on ways to direct that \$28 million.

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DAVE CAREY, Mayor, Kenai Peninsula Borough, said the question being asked as a new bureaucracy is being discussed is whether or not energy policy and application would be enhanced and streamlined with these funds. Would this assist in getting the needed natural gas to the Kenai Peninsula and to Southcentral Alaska?

Developing and administering a comprehensive energy plan for Alaska is long overdue. It must address production, distribution, conservation, and consumption must all be addressed. A unified Railbelt system is required, he said, for generation and transmission, but distribution must be left to the local co-ops. Promoting cost effective energy efficiencies in new construction and renovation and maintenance of existing public buildings and establishing community standards is good, but they must be supported by local residents and those in decision-making positions. This new department would serve as the conduit for all U.S. DOE funds, which is a good idea if it speeds up the process of getting funds to the local communities and those individual who applied for the funds.

MR. CAREY said, however, that all too often the paperwork required by new government programs makes people walk away; so a program must be workable while providing needed oversight of public funds. He supported HB 219 in this respect in that each project should submit updates at intervals. But it is his experience that smaller projects require so much paperwork that a lot of funds are spent on people doing paperwork, not getting anything done.

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He thought that all federal funds should be accepted by the state. He provided a copy of the Kenai Peninsula Borough agenda, his goal for becoming a premier leader for the development and implementation of alternative energy research. He urged them to keep the Kenai Peninsula Borough at the front of the line

whenever they make funding decisions on alternative energy grants and programs. Fossil fuels are not the enemy; it is needed along with alternatives and conservation.

MR. CAREY said the Kenai Peninsula is truly urban and rural with the needs of each. He urged legislators to not continue developing energy policy that pits urban against rural against Southeast. Alaskan energy policy must meet the needs of every Alaskan and does not support the destruction of the rural ways of life and people.

Finally, he said, he wanted to promote the development of geothermal energy. The Kenai Peninsula Borough includes four active volcanoes: Spur, Redoubt, Iliamna, and St. Augustine.

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MARK FOSTER, representing Matanuska Light & Power on a Joint Utility Task Force comprised of board members from the Railbelt utilities, presented a status report. He said they got together to see if they could adopt the Gretskey Corporation concept, an Electric Generation, Transmission and Gas Transmission and Supply non-profit corporation. A majority was not in favor of the current proposal. The utilities expressed concern about the lack of progress on getting a draft that would get a majority vote.

State representatives were also concerned about time running out on addressing critical issues. At the conclusion, the chair found commitment to work together to get a mutually agreeable business structure.

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Consensus was found on building Railbelt transmission infrastructure, but it has a reliability component. It's focused on the common interests of strengthening the reliability of the transmission system reserves that support the transmission system and rapid recovery resources like batteries to enable the transition system to quickly recover and be reliable. It also focuses on the common interest of enhancing reliable access to renewable resources that are throughout the Railbelt by strengthening the capacity of the transmission backbone.

He said there is also an interest in creating rules that apply to people who want to get on to the transmission system and use it to move power up and down the Railbelt. There is also interest in building on work of the administration in helping focus on key energy issues.

Going forward, the Task Force wants to convene as soon as possible with utility boards, management representatives and a third party neutral facilitator as the chair for the task of creating a committee substitute (CS) for the Gretskey bill that would provide for a reliable regional transmission resource planning entity.

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CO-CHAIR MILLETT asked if they had "narrowed it down to something less aggressive than what was put forward."

MR. FOSTER replied that they agreed to work on transmission and reliability concepts.

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JODI MITCHELL, Inside Passage Electric Cooperative, said she is from Southeast Alaska and very much supported an energy plan that considered a regional integrated resource planning process. Utilities in Southeast found that sometimes interties don't make sense; they are cost prohibitive because of the high cost of submarine cable and risks of failure. For instance, the Hoonah Intertie went from \$26 million less than five years ago to \$45 million today. So they are forced to look for local resources to the extent that they can. To that end, they have identified several micro-hydros for Hoonah. Maybe a micro grid such as the Kake-to-Metlakatla line and maybe a Chichagoff Island grid to connect Hoonah, Pelican, Tenakee and Elfin Cove would be more cost effective, especially where a road is involved - similar to the Kake/Petersburg Intertie.

MS. MITCHELL said she also promotes open access and fair rate treatment for any other micro grid that is built primarily with public funds. "The goal should be affordable power for Alaskans first without ineffective and overly expensive construction projects."

She said she supported HB 219; it makes good sense. She serves on the Renewable Fund Advisory Committee, and she was concerned that having an independent economist evaluate each project is an unnecessary expense, because it is already being done as part of the process. She urged if they continue to use independent consultants, benefit costs cannot be the only metric used in evaluating projects. If the goal is to get rural villages off diesel, they must consider all the available options and take the one that "gives us the best bang for the buck." She didn't

think oil prices would go down and diesel generation has to be minimized.

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FRANK CORBIN, General Manager, Nushagak Electric Cooperative, Dillingham, said section 2 of HB 219 brings the economists in much too late. They don't have an MBA or a CPA on staff; he could use many meetings with an economist before filling out the applications. That would have a cost benefit ratio as the applications go through the process. He suggested that some state agency or the University system could supply that expertise - at the onset.

Fuel pricing is a big issue when you project what the cost of fuel is going to be for the future. That follows an application all the way through. It's frustrating to pick a number and three months later someone tells you you picked the wrong one. He preferred to use a range of numbers and to follow through with key identified factors.

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KATHLEEN WILSON, Mainland Co., Kenai, said she was married to an energy auditor, who focused on commercial and industrial buildings in Oregon for 15 years. He has focused on lighting, small hydro and solar technologies to reduce energy consumption. The Oregon Energy Trust offers incentive rebates to businesses that update their energy systems; Oregon also has tax credits for the same thing.

She said this legislation is an entrepreneurial opportunity to mortar some relationships between utility companies, the state, tribes and villages to bring ideas to fruition. Right now there is no regulatory oversight language for credentialing commercial auditors, and she thought they might want to look into that.

AHFC is focused on all residential. Since work is opening up in the commercial area, she thought they should explore those parameters.

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CLAY KOPLIN, Cordova Electric Cooperative, said he remembered several years ago, the state was thinking about replacing the role of the Federal Energy Regulatory Commission (FERC) in licensing hydro electric projects because a couple of the really difficult challenges in developing hydro is the long lead time and the expense of the permitting and design work. Now that the

state is actually building hydro electric projects, it's best to keep the process as static as possible.

He liked the concept in HB 218 of having an energy department where the different aspects of the energy sectors can work closely together and avoid duplication of effort. Section 1 of HB 219 on due diligence is good. He agreed that adding an economist was just extra effort and money; and there is already enough review.

He remembered in going through college, he was surprised that a student loan program would fully reimburse teachers that moved out to the Bush and taught in rural communities for five years after they graduate from college. It was a successful program and it helped get good education out to the rural areas, but at the time he thought:

Boy, why aren't we doing this for electrical engineers and geologists and the human resources that we need to develop our energy in the state? Maybe now is the time to look at that. If I had my druthers, I would say if I was going to add one more layer of review to these AEA projects, I'd grab five university students and instead of having them looking at rocks in the lab up at UAF or modeling hydrology on a river, I'd get them out there with hammers and send them to Nushigak and walk up and down those creek beds - can we build a dam here - send them up to, you know, put a flow meters in the rivers to see if there is hydro electric resources there - and actually get those students out there and engaged in the industry so that hopefully we can keep a few of them up here. Because we have the energy resources.

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He concluded saying this state is fortunate because it has both energy and capital resources, however not the man power. He has seen huge cost escalations on his hydro electric project; a lot of it is due to the consultants they have to bring in, the materials they have to import and just the overall market right now with stimulus money on the streets setting the profit margins for companies to work with. He encouraged them to look for a different mechanism for the second section of HB 219.

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MARILYN LELAND, Executive Director, Alaska Power Association (APA), thanked them for holding their meeting here and timing it

to be in conjunction with their annual meeting. She thanked them for their work on HJR 25 asking the federal government to consider hydro as a renewable energy. A few years ago APA approved a resolution asking the governor to create a cabinet level Department of Energy and she appreciated the bills that have been introduced to that end. Some fine tuning needs to be done; and while she appreciated Mr. Koplin's comments about not wanting to disrupt the work that is already going on, an existing lack of coordination needs to be brought together.

MS. LELAND said she has been invited to join an energy think tank that the House Special Committee on Energy created; it is a good way to work together in developing solutions. They have found that there are already 15 state entities around the state were doing a so-called state energy plan.

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She updated them on the status of net metering saying that three bills were introduced this session. Earlier, she asked them to hold off on those bills because the RCA has a docket before it on net metering. They have had more public participation in this than they have had on anything. Many ideas have come forward that involve both utilities and the public sector and the RCA would be adopting some proposals that will work everyone.

3:11:09 PM

JIM STRANDBURG, Project Manager, Alaska Energy Authority (AEA), said that AEA participated in the recent joint utility board task force meeting and were pleased to participate in real positive conversations that occurred between the utility board members.

He explained that AEA feels they are facing an emerging energy future that is best approached through joint action by the utility industry itself. Under that concept, they sponsored a process between utility representatives and have provided Department of Law representatives for drafting a statute to form a new company. { He said there will be very urgent shortages of energy for both power generation and heating. At the meeting, three utilities - NEA, Chugach and the City of Seward - were willing to actively pursue the continued drafting process for the committee substitute for the Gretsky legislation.

MR. STRANDBERG said that each of these utilities and their boards are committed to serving the best interests of their individual members. There are six utilities in a relatively small area with a relatively small population base. This

configuration is very good when you have relatively plentiful supplies of fuel and each utility can act insularly for its own interests. However, they now have emerging issues which are beyond the capabilities of any one utility. The entire regulatory regime and business regime makes it very difficult for individual utilities to think "globally." The utilities recognize the need for joint action and that is what is occurring.

3:16:10 PM

BRAD REESE, General Manager, Kotzebue Electric Cooperative, said the NANA Regions looked at energy planning that is fitting in with state energy plan. It also fits in to a department down the road. It makes sense to get all the passengers in the same car.

He reported significant efforts in his region for conservation, but noted that they had no energy auditors going into last winter. They had a very difficult time; 80 volunteers weatherized all the homes of the elders in that community. But it would take a larger effort to get trained energy auditors in his region in order to allow them to come up with their own energy solutions. The AEA meetings create a real tie that would benefit the whole state.

He hoped they would accept the stimulus money; there is a great need for it. He is concerned with Denali Commission's ability to help with energy projects; he said rural infrastructure is diminishing rapidly. Hopefully the state could fill in some of that role, because the need is still great.

Under HB 219, he agreed that an additional economist was not needed. He is on the Renewable Energy Fund Advisory Committee, and significant effort was put into economic review of all projects going forward.

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He was a little concerned about the emphasis on matches, because it has a very negative impact on small rural communities where the energy costs are higher than anywhere else. They don't have the wherewithal to come up with matches using pull-tabs for a couple hours a day. This is will put them at a real disadvantage.

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MR. REESE said that economic analysis is good, but there is a risk that they don't weigh, and that is the risk of not doing anything, or if they put too much weight on the economics then

the risk of the community disappearing or other negative risks wouldn't be evaluated.

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MERA KOHLER, President and CEO, Alaska Village Cooperative, said they serve 53 villages throughout primarily western Alaska. She asked rhetorically how many utilities are in Alaska or how much electricity is generated in Alaska and how much it costs. No one has maintained these statistics (for about 15 years) that used to be maintained by the state.

She said there was an intent to put Alaska power statistics together a few years ago when the AEA retained ISER that did so for 2001. But there are no records thereafter. They have to know what is going on in order to manage it, she emphasized.

She pointed out that a Sacramento utility of about the same size as Alaska utilities, serves a community of 900 square miles and sells twice as much electricity as all of Alaska does. This puts into perspective how very small our state is electrically. They are delivering electricity across 586,000 square miles with the participation of hundreds of utilities. She didn't know exactly how many, but between 200 and 250 utilities - some of which have almost fallen off the map. A significant number of Alaskans don't have reliable electricity are paying over \$1/kWh; they are not on the PCE program because they don't have the ability to do the paperwork.

On the other hand, regions have been created within the state - Southeast Alaska, Southcentral Alaska, rural Alaska, et cetera and they are all competing against each other on a regular basis for small pockets of money that go into their various systems. But nothing has been solved and Southcentral is in a crisis; it's almost out of gas.

She said the Railbelt transmission system can only move about 70-100 mgW between communities and peak load in those communities is about 700 mgW. She is worried about what happens with the transmission system when they have a failure like the one a few years ago when a transmission line went down from Beluga to Southcentral. Major issues are confronting them and not much has been done about them.

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MS. KOHLER said until the Denali Commission was developed 10 years ago, there was no major investment in infrastructure in Alaska. The Denali Commission "pumped" almost a half billion

into basic energy infrastructure; the state has not pumped anything to match fed money.

She urged them to pay close attention to her concept paper called "An All Alaska GNT." It is a position paper about potentially uniting the entire state behind solutions that deliver "the greatest bang for the buck." This typically means a project in Southcentral Alaska, the benefits from that would get spread throughout the state through a "virtual GNT." She said they should not be investing money in tiny projects that are going to live a short time and then die due to lack of maintenance or lack of funds for regeneration of equipment. They need to look at wise investment of scarce dollars.

3:27:36 PM

SENATOR HUGGINS asked her to describe the statewide energy inventory (done by Steven Haagenson, AEA) going forward on a step by step basis that will bring energy to communities that she is concerned about.

MS. KOHLER replied that he identified potential resources for a specific community. The flaw with that approach is that the implication is that every community can expect to get money for one source or another to build out their particular resource. She explained that AVEC has pioneered a number of wind/diesel systems; nine communities receive wind - some to a fairly significant level. All of those projects are mid-penetration projects. So they can achieve a penetration of up to 85 percent off their load from an alternative energy source, basically wind, but it is an intermittent source. So, on an overall basis they are looking at 20-25 percent displacement of diesel. On average, those systems have cost them about \$4 - \$5 million. If you extrapolate that number and want to displace 80 percent of diesel fuel, you would have to have a penetration of two-three times installed capacity of diesel. That would cost \$12-\$15 million for a community of 400-500 people. The investment would be unimaginable. That is why her proposal is that they look at a Chakachamna or a Susitna or something like that that could deliver the maximum number of kilowatt hours at the lowest possible cost. Then those benefits get spread throughout the state.

Bush Alaska only represents about 6-7 percent of the electricity that is generated in the state. So, trying to displace a significant portion of Bush Alaska's electricity, the investment could pay for a lot of production elsewhere at much greater value. "But until we all start benefiting it, you are not going

to get universal support across the state. So we need to build up that system."

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PAT HAWKINS, representing himself, Soldotna resident, said he came back from Viet Nam in 1968 on a nuclear powered ship that could power all of Los Angeles County. Now we're facing an energy shortage. We're the greatest state in the nation, but we don't have the will and leadership to get a gas line built. It will solve our problem and others. He is retired on a fixed income and it's getting hard to make ends meet with rising energy costs.

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SENATOR HUGGINS saluted him for what he said because he agreed with him. He hoped to get Agrium opened up again and expand the LNG plant. Alaskans deserve instate gas, but it has to be affordable and it takes a long time.

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BILL WARREN, representing himself, said he is a retired pipefitter and welder and has spent 59 years up here. He made a bucket of money supporting his family on value added industries in Cook Inlet, but it is a rust belt now. Despite all endeavors to get Cook Inlet to drill, many companies are bankrupt. We're in an energy crisis now and maybe next winter schools will close down. He couldn't understand why the gas pipe line is taking so long. He didn't like the line across Canada. We are way behind the curve on things now; an LNG chain is being put in British Columbia and Norway is breaking trail. The original 2004 gas project should have been going. "Now we're in a bind, a train wreck. And I'm for alternatives, but they cannot save our ship now." He said nothing else is big enough to run the state except natural gas.

[3:44:22 PM](#)

JIM KAUFFMAN, representing himself, Kenai, said he used to work for Agrium and he can say that in the state of Alaska there is zero industrial priced energy. There is barely commercial energy; we have residential energy, which will be the last to shut down. Many of the people he worked with went to a plant that is owned by a Swedish Company in Washington State - because it had cheap electricity. Alaska has cheap energy, but lacks the human energy to make it happen. "We are paying more for own gas in our own state than the Japanese do." LNG ships into the east coast of America at \$5.21 on average today.

MR. KAUFFMAN supported bringing all the utilities together and if not physically, at least the dollars at the back end. He said rural Alaska needs the help of Alaskans and almost everyone has it in their heart to add a penny to their kilowatt hour to help fund that. ANGDA is a great tool for Alaska; pushing that through from Beluga north to Delta would be a good start and then if the big pipeline failed, they could continue going north. They could be turning dirt in 16 months.

He suggested instead of paying back AIDEA loans to invest Permanent Fund money permanently into electricity so that the interest only is what they get back. Leave the money there for 50 years or whatever. Reasonably priced industrial fuels are needed and they don't exist in Alaska today.

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RICHARD DeMILLO, representing himself, Kenai, said he made a deal with HEA so he could pay his electrical bill. You can't believe the politicians when they say something will be done, and he is tired of it. He said Cook Inlet and one other area in the world are the best for tidal current energy and nothing has been done with it.

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SENATOR HUGGINS said on the subject of tidal energy, someone in Anchorage has a proposal for tidal. He is talking with him about having CH2M Hill do some additional engineering. But this does not mean they will have tidal tomorrow; tidal energy production is a little ways out. It is an issue that is being pursued, but it's not tomorrow.

[4:00:00 PM](#)

JOHN LANDUA, Engineering and Technical Services, Inc., Kenai, said he worked at Agrium, as well and added support to an in-state gas line. It is the necessary ingredient to any sort of an interim solution for the Railbelt, and in particular for the Kenai Peninsula. He also supported having a Department of Energy and statewide energy planning.

REPRESENTATIVE SEATON thanked APA members for voicing their opinions.

[4:04:53 PM](#)

There being no further business to come before the committee, Co-chair Millett adjourned the meeting at 4:04 p.m.