

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

Unalaska, Alaska
August 26, 2009
5:12 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative Charisse Millett, Co-Chair
Representative Kyle Johansen
Representative Jay Ramras (via teleconference)
Representative Chris Tuck

MEMBERS ABSENT

Representative Nancy Dahlstrom
Representative Pete Petersen

COMMITTEE CALENDAR

HOUSE BILL NO. 218

"An Act establishing and relating to the Department of Energy and to the board of directors of the Alaska Energy Authority; transferring the Alaska Energy Authority and the Alaska Natural Gas Authority to the Department of Energy; and transferring the home energy and weatherization program to the Department of Energy."

-HEARD & HELD

HOUSE BILL NO. 219

"An Act relating to the renewable energy grant fund."

-HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 218

SHORT TITLE: CREATING DEPT OF ENERGY/AEA BD

SPONSOR(S): ENERGY

04/06/09	(H)	READ THE FIRST TIME - REFERRALS
04/06/09	(H)	ENE, FIN
05/29/09	(H)	ENE AT 1:00 PM Bethel
05/29/09	(H)	Heard & Held
05/29/09	(H)	MINUTE(ENE)

06/17/09 (H) ENE AT 5:00 PM Fairbanks
 06/17/09 (H) Heard & Held
 06/17/09 (H) MINUTE(ENE)
 08/07/09 (H) ENE AT 2:00 PM Kenai
 08/26/09 (H) Heard & Held
 08/26/09 (H) MINUTE(ENE)
 08/26/09 (H) ENE AT 5:00 PM Dutch Harbor

BILL: HB 219

SHORT TITLE: RENEWABLE ENERGY GRANT REQUIREMENTS

SPONSOR(s): ENERGY

04/06/09 (H) READ THE FIRST TIME - REFERRALS
 04/06/09 (H) ENE, RES, FIN
 05/29/09 (H) ENE AT 1:00 PM Bethel
 05/29/09 (H) Heard & Held
 05/29/09 (H) MINUTE(ENE)
 06/17/09 (H) ENE AT 5:00 PM Fairbanks
 06/17/09 (H) Heard & Held
 06/17/09 (H) MINUTE(ENE)
 08/07/09 (H) ENE AT 2:00 PM Kenai
 08/26/09 (H) Heard & Held
 08/26/09 (H) MINUTE(ENE)
 08/26/09 (H) ENE AT 5:00 PM Dutch Harbor

WITNESS REGISTER

SHIRLEY MARQUARDT, Mayor
 City of Unalaska
 Unalaska, Alaska

POSITION STATEMENT: During hearing of HB 218 and HB 219, expressed the need to continue to include local input and control with any proposed energy plans.

JOHN CONWELL, Superintendent
 City of Unalaska School District
 City of Unalaska
 Unalaska, Alaska

POSITION STATEMENT: During hearing of HB 218 and HB 219, outlined the progress of the City of Unalaska's school renovations.

JOE BERESKIN, SR., Mayor
 City of Akutan
 Akutan, Alaska

POSITION STATEMENT: Provided comments during discussion of HB 218 and HB 219.

WENDY HAWTHORNE, Chief Executive Officer
Ounalashka Corporation
Unalaska, Alaska

POSITION STATEMENT: During hearing of HB 218 and HB 219, noted her agreement with Mayor Marquardt's comments regarding the need to continue to fund nonrenewable energy projects.

DON GRAVES, Production Manager
UniSea
Dutch Harbor, Alaska

POSITION STATEMENT: During hearing of HB 218 and HB 219, suggested broadening the legislation to allow communities as well as industry to take advantage of energy efficient projects.

KATHERINE McGLASHAN
Dutch Harbor, Alaska

POSITION STATEMENT: During hearing of HB 218 and HB 219, expressed frustration with the length of time it takes to go through the process of the home energy conservation and weatherization programs.

RICHARD PECK, Owner
Utility Innovations Plus
Unalaska, Alaska

POSITION STATEMENT: During discussion of HB 218 and HB 219, expressed his favor with the proposal for a Department of Energy.

FRANK KELTY
Unalaska, Alaska

POSITION STATEMENT: During discussion of HB 218 and HB 219, specified that more programs dealing with various energy issues would be helpful.

CHRIS HLADICK, City Manager
City of Unalaska
Unalaska, Alaska

POSITION STATEMENT: Provided comments during discussion of HB 218 and HB 219, and opined that it's important for the legislature to have someone independent of AEA review the various projects that come forward for funding.

SINCLAIR WILT, Vice President
Alyeska Seafoods, Inc.
Unalaska, Alaska

POSITION STATEMENT: During discussion of HB 218 and HB 219, discussed the air quality permit process.

SKIP SOUTHWORTH, Member
Unalaska City Council
City of Unalaska
Unalaska, Alaska

POSITION STATEMENT: Posed a question and provided comments during discussion of HB 218 and HB 219.

ACTION NARRATIVE

[5:12:11 PM](#)

CO-CHAIR BRYCE EDGMON called the House Special Committee on Energy meeting to order at 5:12 p.m. Representatives Edgmon, Millett, Johansen, Ramras (via teleconference), and Tuck were present at the call to order. Also in attendance was Representative Mike Chenault.

HB 218-CREATING DEPT OF ENERGY/AEA BD
HB 219-RENEWABLE ENERGY GRANT REQUIREMENTS

[5:12:30 PM](#)

CO-CHAIR BRYCE EDGMON announced that the only order of business would be HOUSE BILL NO. 218, "An Act establishing and relating to the Department of Energy and to the board of directors of the Alaska Energy Authority; transferring the Alaska Energy Authority and the Alaska Natural Gas Authority to the Department of Energy; and transferring the home energy and weatherization program to the Department of Energy."; and HOUSE BILL NO. 219, "An Act relating to the renewable energy grant fund."

CO-CHAIR EDGMON noted that there is draft legislation that is the result of a working group of legislators who hope to develop a statewide energy plan that can be introduced next session.

[5:18:46 PM](#)

SHIRLEY MARQUARDT, Mayor, City of Unalaska, thanked the committee for its interest in the region. She remarked that the committee is likely to hear testimony similar to that given at prior meetings in rural Alaska; that is that the cost to provide energy in communities in rural Alaska is expensive and that there aren't many good solutions. With regard to the state's

energy plan, she acknowledged the desire for 50 percent of power production to be from renewable resources by 2025. However, she opined that although the aforementioned isn't a bad goal, it probably isn't possible. She expressed the need for any plan to recognize that existing facilities in the state could be upgraded with newer technologies that continue to use diesel but burn 30 percent less fuel. Such savings could be passed on to consumers. Mayor Marquardt further expressed the need for there to be local input and control on all of these projects as it has been illustrated that monies given to a municipality or community for a specific project has saved money and time. Therefore, local input and control with a statewide energy plan is important.

MAYOR MARQUARDT, regarding the provisions in HB 219 that speak to hiring an economist with experience in the area of renewable energy, expressed concern with "forensic economists" who utilize the information before them to come up with a product to suit the client. Therefore, she encouraged the committee to obtain independent economists or financial engineers who have a background in renewable energy as well as in power production and financial feasibility of various types of projects. She pointed out that renewable energy is new and although there are a lot of ideas, there aren't many [systems] actually in place and working. She further encouraged the committee not to allow the proposed Department of Energy to become the only grantor of funds for projects. She related that the City of Unalaska would rather approach its legislators, who understand the community and its goal, for help on construction costs rather than going through a grant program. The aforementioned may be simpler in a case in which a community is merely seeking an upgrade to existing diesel technology. Mayor Marquardt opined that Unalaska has challenges with renewable energy sources. For instance, the area has a lot of wind, but it's problematic because it comes from all directions at once. Furthermore, the tides in the area are only 2.5 to 3 feet. She specified that the risks are large for the area because it isn't on a grid. Therefore, Mayor Marquardt expressed concern that communities such as Unalaska would have difficulty obtaining grant funding for projects that aren't renewable energy sources, although the proposal may reduce the carbon footprint, reduce dependency on fuel, and reduce costs for the local consumers. The concern, she further articulated, is that a department may not see the differences in communities throughout the state as well as legislators would.

CO-CHAIR EDGMON noted his appreciation of Mayor Marquardt's comments regarding the capital budget process and the need to avoid sideboards when a local government/community works for funding that has to flow from the federal government through state government to the local government.

CO-CHAIR MILLETT noted that Governor Parnell recently appointed cabinet-level energy positions, which had been proposed in HB 218. The aforementioned recognizes that energy issues are of high importance.

5:27:40 PM

JOHN CONWELL, Superintendent, City of Unalaska School District, City of Unalaska, said that although he hadn't planned on testifying today, he would relate the school's debt reimbursement program. The large renovation project of the city's 5th through 12th grade facility is nearly complete. Much of the renovation included energy efficiency changes, from which the school expects to garner huge cost savings. For example, all exterior and interior lights and all exterior doors and windows were replaced with energy efficient models. Furthermore, about half of the roof was repaired as was a large section of the building's leaking exterior. Large renovations in the building's kitchen also occurred. Mr. Conwell expressed the hope that in about six months he will be able to report much lower utility bills. In conclusion, Mr. Conwell encouraged the legislature to continue the 70 percent debt reimbursement program for school districts as it has enabled the City of Unalaska to provide a much better learning environment for students.

5:29:45 PM

JOE BERESKIN, SR., Mayor, City of Akutan, expressed concern with HB 218 and its attempt to combine many [services] in one department because often things fall to the wayside. He noted that the City of Akutan has been fortunate in that it has three energy projects funded through the existing program in AEA. Mayor Bereskin acknowledged that people may wonder how a small city such as Akutan could tap into the funds it has. To that, he related the need to understand the process and get a good group together to promote projects. He mentioned that the funding from the state is allowing a geothermal project and two hydro projects. In response to Co-Chair Edgmon, Mayor Bereskin informed the committee that for the geothermal project, soil and gas sampling occurred a couple of months ago and a group is

trying to determine the best location to drill. He expressed his hope that they would be able to drill next fall or spring. He noted that the City of Akutan filled out grant applications for drilling, which is the next step.

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CO-CHAIR MILLETT mentioned that the committee has noticed that groups that deal with energy matters are scattered throughout different state departments. The aforementioned is difficult to navigate. Therefore, HB 218 was designed to propose a Department of Energy that consolidated energy programs in one department and offered some changes to some of the existing organizations. However, HB 219 is clean-up legislation in response to the belief of some legislators that there isn't enough oversight and that there [was approval of funds] for some research and development projects and technologies that weren't proven. The aforementioned resulted in an audit report that offered recommendations that have been incorporated in the legislation, such as the need to hold project completion at a high level. Co-Chair Millett said that the committee has also provided copies of the committee's first draft of a proposed energy policy, which is the product of a stakeholders' group that has been meeting. She characterized this draft policy as a work in progress.

[5:40:00 PM](#)

WENDY HAWTHORNE, Chief Executive Officer, Ounalashka Corporation, began by informing the committee that the Ounalashka Corporation represents about 420 shareholders. Most of the business conducted by Ounalashka Corporation is land leasing and development. The high energy costs for tenants have become very apparent. In fact, areas for which the corporation pays the energy costs may face an increase in rent. Ms. Hawthorne noted her agreement with Mayor Marquardt's comments regarding Unalaska not losing [funding/approval] for upgrading nonrenewable energy projects in favor of only renewable energy projects. There has been difficulty getting renewable energy projects going in Unalaska.

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DON GRAVES, Production Manager, UniSea, explained that UniSea generates power and is the largest manufacturer of power in Unalaska. He related that Unalaska is different than other communities in the state in that the city has had to generate

its own power and ensure stable supplies for the plants. He encouraged the committee to be in contact with programs and facilities that fall outside the City of Unalaska's purview. Since UniSea sells some power to the community, it would be nice to receive some assistance with the facilities in town and review available alternative energy sources such as fish oil from the production facilities. For example, 25 percent of the power UniSea produces is from fish oil, which is renewable. He suggested that the legislation be broadened such that communities as well as industry can take advantage of their potential.

[5:45:03 PM](#)

KATHERINE McGLASHAN, speaking as a single mother of five living in a home with little insulation, expressed frustration with the paperwork requirements for the home energy conservation and weatherization program. She opined that the process is very slow, and therefore she would support assistance to shorten the process. She related that she filled out the form last year, but received no response even after email and phone messages.

MS. McGLASHAN, in response to Representative Chenault, specified that she has had her home energy rated. However, she noted that her home falls under the Aleutian Housing Authority, and thus she isn't sure where her forms are in the process.

CO-CHAIR EDGMON reminded everyone that the legislature recently overrode former Governor Palin's veto of \$28.6 million in federal stimulus funds for energy. Originally, there was discussion that AEA and AHFC would come forward with a plan regarding how to spend the \$28.6 million. Part of that plan would have been to strengthen the energy rating program and the education aspect regarding the benefits of weatherization. He asked if there is any update as to what Governor Parnell might do with the \$28.6 million.

REPRESENTATIVE CHENAULT replied no, but added that Governor Parnell has been asked to utilize the funds in public building renewal as well as school districts, and opined that the stimulus funds should be used to help all Alaskans, not just "the state." However, he said he expects the funds to be available shortly. With regard to Ms. McGlashan's specific situation, he suggested she contact her legislator.

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RICHARD PECK, Owner, Utility Innovations Plus, after relaying that he'd been working in the electric utility industry for 40 years and started his energy consulting firm 14 years ago, commented on the need for clear direction, and the lack of information forthcoming from the agencies with which he's spoken. He opined that centralizing all the agencies that deal with energy would be a worthy endeavor, and suggested that the Regulatory Commission of Alaska (RCA) be placed under the purview of the proposed Department of Energy to avoid conflict between the two entities' efforts. He mentioned that with the help of AEA, he's just completed a wind assessment in "Pyramid Valley," and expressed his hope that such AEA programs will continue. He then questioned what the makeup of any new AEA board of directors would be and what recommendations the committee would have for the board.

5:54:31 PM

CO-CHAIR EDGMON indicated that the concept is for AEA to have autonomy, and that according to HB 218, its [new] board would be made up of the commissioner of the Department of Revenue (DOR), the commissioner of the proposed Department of Energy, one other head of a principal department of the executive branch, and two public members, with the latter three being appointed by the governor. He noted that the RCA just held a meeting in Anchorage regarding the "rolling blackouts that might occur" in Southcentral Alaska due to shortages in natural gas supplies, and expressed favor with Mr. Peck's suggestion regarding placing the RCA under the purview of the proposed Department of Energy.

MR. PECK mentioned that AEA was very helpful to him when he was working with a client on Umnak Island until AEA determined that the client was neither an electric utility nor an independent power producer and thus wasn't eligible for AEA's help. He surmised that there are probably other similar, small, private enterprises that need assistance developing their own power supply in order to meet their own energy needs but have no place to turn at this time because they are neither an electric utility nor an independent power producer. Therefore, he suggested that such statutory definitions need to be reviewed. In conclusion, he said, "We don't want to disenfranchise any business interest that's trying to develop the resources of this great state."

6:00:00 PM

FRANK KELTY, noting that energy issues are now at the forefront of things the state must consider and surmising that establishing a Department of Energy to consolidate services and work with various programs in a more efficient manner is something that the majority of people could support, he then listed current fuel prices compared to what they were a year ago: number 2 diesel at the dock is now \$2.75/gallon, but was \$4.45/gallon a year ago; delivered home heating fuel is now \$3.18/gallon, but was \$4.98/gallon a year ago; and gasoline is now \$3.34/gallon, but was approximately \$4.99/gallon a year ago. He mentioned that many of the buildings in town are not energy efficient or weatherized, and surmised that energy costs for the seafood industry are probably some of the highest expenses that the industry has to face, and that this probably has a tremendous impact on the harvesters and processors in the area. In conclusion, he ventured that more programs dealing with various energy issues would be helpful.

6:05:20 PM

CHRIS HLADICK, City Manager, City of Unalaska, opined that it's important for the legislature to have someone independent of AEA review the various projects that come forward for funding; such a person ought to have power-project experience. He also opined that AEA needs clear direction from and oversight by both the governor and the legislature - recalling that in the past, AEA has had problems and received complaints. He acknowledged that it is probably not a bad idea to have a single department dealing with all energy-related issues. He, too, expressed favor with the concept of having the RCA placed under the purview of the proposed Department of Energy. With regard to developing an energy policy, he posited that it's important for that policy to have obtainable goals, and for research regarding the cost of obtaining those goals to be conducted so as to determine, on a case-by-case basis, what funding mechanisms would be most appropriate.

MR. HLADICK then mentioned that [Unalaska] has four power plants as well as a powerhouse project estimated to cost \$48 million, and that the cost of air quality permitting has gone through the roof, and will only increase, particularly if, at the federal level, "we end up going to cap-and-trade", or if silicon-controlled rectifiers (SCRs) start being required at every "powerhouse" in rural Alaska; capital costs for "installation at capacity" is also very high. Conversion to ultra-low-sulfur diesel will also have a huge impact on rural Alaska. In response to questions, he informed the committee that the

Makushin Geothermal project began around 1982/1983 when a well was drilled to about 1,800 feet where 380 degree Fahrenheit water was found. The three-inch hole was modeled to about a million pounds of steam per hour. [The City of Unalaska] had been in the process of negotiating with the landowner for the fluid, but that fell apart. At this point, [the City of Unalaska] has \$4 million for exploratory drilling. He highlighted that Makushin isn't the only place on the island where geothermal exists, and therefore the city will work with OESI Power Corporation and the Aleut Corporation for drill sites on their property. The city will also approach the federal government regarding a drill site that's located in the Glacier River Valley. The hope is that between the aforementioned three options, the city can obtain an agreement for the fluid. The landowner [at Makushin] wanted to charge a sliding scale for the fluid such that the cost was just below that of diesel, which isn't "something you can spend \$150 million on." Mr. Hladick noted that this will be a very expensive and high risk project that will take a minimum of 10 years. For instance, just developing the well field could total well over \$50 million. Therefore, the city is taking a cautious approach and acknowledges that the project will have to rely on bonding. He relayed that the high cost of the air quality permits that Alyeska Seafoods, Inc., Western Seafoods, City of Unalaska, and UniSea Inc. have paid for has made them reluctant to disregard those and go with geothermal that may not work. Therefore, the geothermal project has to be taken to a certain point before the aforementioned entities will give up their air quality permits. Although the geothermal project is complicated, the volatility of the price of fuel illustrates that work on the project must continue because no one knows what the future holds. He told the committee that the hope is to drill exploratory wells next summer. The next step would be to develop the well fields, which is where the costs really add up. With regard to the length of the transmission lines, he specified that there's four miles of water and about eight miles to the current site, including crossing four bridges and rough terrain.

MR. HLADICK told the committee that the city had performed some research regarding wind power. There have been two studies with initial findings that the wind in the Unalaska area has violent changes. To develop a commercial level of wind power could total about \$20 million and achieve a savings of about \$225,000 in fuel; and therefore, it amounts to about \$1 million in depreciation not including maintenance [costs]. The level of useable wind in the Unalaska area doesn't make wind power a good investment. Furthermore, it was doubtful that a manufacturer

would provide a warranty for the level of the wind in Unalaska. The aforementioned makes it difficult to spend that amount of public funds with no manufacturer warranty.

6:15:00 PM

CO-CHAIR EDGMON discussed Nome's wind turbine project in which 18 wind turbines with 100 foot towers are used to capture wind from whatever direction it blows. The wind turbine project in Nome cost \$7 million that [Sitnasuak Native Corporation] and the Bering Straits Corporation funded because AEA didn't believe there was viable wind power in Nome. However, there wasn't a comprehensive enough of a study regarding the best technology for far north climates. One of the towers broke, which required the entire system to be shut down. The point, Co-Chair Edgmon said is that although wind technology is probably the most proven renewable energy technology, it's still in the developmental stage. He predicted that future dollars for any type of energy projects will be very competitive, and therefore Unalaska's cautious approach will likely be rewarded in the future. Furthermore, the legislature is at a point at which it wants to allocate the scarce funds toward projects that will provide cheaper energy prices and technology that actually works.

6:19:16 PM

MR. HLADICK pointed out that if the gas pipeline is built, the propane by-product could be used if it could be delivered to tidewater for \$.70 per gallon. In fact, Unalaska could convert its power plant to propane as could snow machines and vehicles; the conversion could be done simply by following information on the Internet. He recalled a cursory review of the \$150 million geothermal project, which found that in order for such a project, with no grants, to break even oil would have to cost \$130 per barrel.

6:20:21 PM

SINCLAIR WILT, Vice President, Alyeska Seafoods, Inc., returned to the issue of air permits. He related that Alyeska Seafoods, Inc., is in the process of trying to replace a small older generator with a new generator in order to conserve fuel by 10-15 percent in the powerhouse. If the aforementioned proves to be successful, there are several more [generators] that the company would like to switch. Although the generator has tier 2 certification, the Department of Environmental Conservation

(DEC) has said that it doesn't meet tier 2 requirements for this application. This generator is tier 2 certified by Caterpillar and is being used in other states, including California, for the same application. Mr. Wilt said that the situation is reaching the point at which the company will have to refuse delivery of the new [generator] and rebuild the old [generator].

[6:22:49 PM](#)

MR. HLADICK, in response to Co-Chair Edgmon, noted that the city went through the air permitting process with the city's powerhouse. The process took four years and cost close to \$1.1 million to obtain the air permit. He explained that an Environmental Protection Agency (EPA) accepted air quality model has to be run, which includes inputs such as the size of the engines and the length of run time. The process also takes into account the amount of power plants in the community. When the model is run, it's done with all the power plants in the area running at full capacity in order to determine where nitrous oxides and sulfur dioxides hit the land. The model is run with various inputs per the EPA. This is an expensive process and is dependent upon how many times the regulator wants the model to be run, he said. He further explained that the model doesn't really show what's happening on the property seeking a permit, but rather it shows what happens on everyone else's property. Mr. Hladick opined that the model doesn't really have anything to do with the complex terrain and winds of the area. In response to Co-Chair Edgmon, Mr. Hladick confirmed that it's essentially a federally driven process that deals with the air shed in the area. He noted that Unalaska has a fairly small air shed, but there's a lot of industrial use.

[6:27:01 PM](#)

CO-CHAIR EDGMON, upon determining no one else wished to testify, asked Mayor Marquardt to discuss energy consumption in Unalaska, a substantial port with only 4,000-5,000 residents.

[6:27:45 PM](#)

MAYOR MARQUARDT opined that there is no reason for the City of Unalaska to construct a \$48 million power plant for 4,000 residents. However, the city does need to construct a power plant to address the energy needs of the number one port in the U.S. in terms of quantity of fish landed. Mayor Marquardt recalled when she arrived in Unalaska about 30 years ago when it was a nice quiet small town with two fish processing plants and

a newly constructed bridge. However, in 1988-89 the Magnusson-Stevens Act was enacted and the pollock fishery was born. The pollock fishery was the largest fishery in the state. Unalaska, the only ice free port in the Bering Sea and near some of the richest fishing in the world, was a natural fit for vessels to unload. Therefore, the processing plants grew, which in turn caused support sector services to change and many people to converge on the city. In a very short time, Unalaska grew quickly as did the city's power needs.

[6:31:12 PM](#)

MAYOR MARQUARDT explained that the City of Unalaska is trying to supply a dependable, fuel efficient, clean source of power to the community as well as existing and future industries. The city chose to work with Wartsila, a company in Finland, which is the green standard in Europe. The Wartsila engine is a heavy-built slower turning machine that likes to run at 100 percent and is only torn down once a year or year-and-a-half. She characterized the Wartsila engine as extremely dependable and efficient. The city was lucky to obtain assistance from U.S. Senator Stevens through a grant to purchase two engines that are 5.2 megawatts each. Eventually, the city will replace the existing nine inefficient older Cat engines with three Wartsila engines. The third engine had to be ordered in order to support the increasing power needs of Unalaska. Mayor Marquardt acknowledged that it costs a lot to live in rural Alaska, but many people still choose to live in rural Alaska because there are benefits that outweigh the negatives. She said that the city has put all of its "eggs in the geothermal basket," which she acknowledged is a risky situation. Furthermore, even if geothermal will provide base power in the amount of close to 10 megawatts, diesel generation will still be necessary for the swings when up to 20 megawatts of power are needed. Therefore, the fixed costs of diesel generation will always have to be applied to the rate, plus the cost of geothermal. The aforementioned means that if the city council chooses to go this route, it will be an incredibly expensive venture and the city will need help. She acknowledged the earlier question regarding how much help a community of 4,000 can receive, but pointed out that the community provides critical support for a fishing industry that supports the entire state. Unalaska's fishing industry provides tax revenue to the state, funding for 63 coastal villages in Western Alaska through the community development quota (CDQ) program. The City of Unalaska is going to need help to continue to support the fishing industry in the

future, regardless of going with geothermal or expanding the existing powerhouse.

[6:35:02 PM](#)

CO-CHAIR MILLETT said that Dutch Harbor is not unique in that it will always need diesel and may not be able to reach the stated goal of 50 percent renewable energy. Furthermore, she related her understanding that Alaska will always be a fossil fuel state, and those communities that don't have renewable energy resources shouldn't face opposition to necessary upgrades to fossil fuel power sources. Therefore, the [state's energy plan] needs to recognize the uniqueness of all the regions.

[6:36:39 PM](#)

CO-CHAIR EDGMON commented that the notion with a statewide energy plan is to create an overarching vision in state statute to address the supply and demand side. He then asked if Mayor Marquardt had any comments on the committee's statewide energy plan proposal.

MAYOR MARQUARDT responded that she needs more time to review and understand the plan. However, she cautioned the committee against making a plan that tries to address too much and ends up not accomplishing very much. She opined that simpler plans seem to work better.

[6:39:46 PM](#)

REPRESENTATIVE TUCK opined that conservation efforts can only go so far, although it's cheaper to save energy than produce it. However, when industries are expanding as they are in Dutch Harbor, one can only conserve so much. He then noted his appreciation of the comments relating that wind energy isn't the solution for every community, as well as the other costs associated with wind energy.

[6:41:40 PM](#)

REPRESENTATIVE JOHANSEN encouraged Mayor Marquardt to continue to pursue geothermal energy while working with the major industries, such as the fishing industry. He acknowledged the city's efforts using fish oil.

[6:43:33 PM](#)

REPRESENTATIVE CHENAULT opined that it's important to visit communities throughout the state because the energy issues in each community are different. Furthermore, it's important to see those differences and completed projects first-hand as well as receive feedback first-hand.

[6:46:47 PM](#)

SKIP SOUTHWORTH, Member, Unalaska City Council, City of Unalaska, said that should an energy rebate become a possibility again, he asked if there is any way to give an energy credit rather than money. Taxes wouldn't have to be paid on an energy credit. For communities such as Bethel who faced very cold temperatures last year, having the fuel rather than the money would've provided more bang for the buck.

[6:49:05 PM](#)

REPRESENTATIVE RAMRAS noticed that the message throughout the state has been fairly similar in that communities face energy and financial constraints and that the future is perilous for all as the price of oil continues to rise. He related that he is delighted with the draft legislation the stakeholder group has produced.

CO-CHAIRS MILLETT and EDGMON thanked everyone for participating.

[HB 218 and HB 219 were held over.]

[6:54:38 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 6:5% p.m.