

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

Anchorage, Alaska
November 17, 2009
3:05 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Nancy Dahlstrom
Representative Jay Ramras

OTHER LEGISLATORS PRESENT

Representative Anna Fairclough
Representative Reggie Joule

COMMITTEE CALENDAR

PRESENTATION ON THE HOUSE ENERGY STAKEHOLDERS GROUP, STATEWIDE
ENERGY POLICY BILL

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

BILL POPP, President & CEO
Anchorage Economic Development Corporation
Anchorage, Alaska

POSITION STATEMENT: Provided a presentation entitled "Energy
Policy for Alaska."

CHRIS ROSE, Executive Director
Renewable Energy Alaska Project (REAP)
Anchorage, Alaska

POSITION STATEMENT: Provided a presentation entitled "Energy Policy for Alaska."

LUKE HOPKINS, Mayor
Fairbanks North Star Borough
Fairbanks, Alaska

POSITION STATEMENT: Reviewed summary on the State Energy Policy and Program Recommendations and provided an update regarding what is going on in the Interior.

STACY SCHUBERT, Director
Inter-Governmental Affairs
Office of the Mayor
Municipality of Anchorage
Anchorage, Alaska

POSITION STATEMENT: Discussed energy solutions for the Cook Inlet.

DICK KOOS, Member
Ketchikan City Council
City of Ketchikan
Ketchikan, Alaska

POSITION STATEMENT: Spoke on behalf of the mayor of Ketchikan.

ERIC MIDDLEBROOK, Member
Bethel City Council
City of Bethel
Bethel, Alaska

POSITION STATEMENT: Encouraged the committee to review the possibility of a pilot study for the liquefied natural compressed gas system that wouldn't be dependent upon construction of the pipeline and the short shipping season.

FRANK AGUCHAK, Mayor
Scammon Bay
Scammon Bay, Alaska

POSITION STATEMENT: Expressed the need to pursue small hydro projects.

DON MCCONACHIE, Mayor
City & Borough of Wrangell
Wrangell, Alaska

POSITION STATEMENT: Encouraged the committee to consider hydro power and interties in Southeast Alaska.

AL DWYER, Mayor
City of Petersburg

Petersburg, Alaska

POSITION STATEMENT: Expressed support for the electric grid extension to Kake and opined that hydro assets owned by the state should remain as such.

ROGER PURCELL, Mayor

City of Houston

Houston, Alaska

POSITION STATEMENT: Discussed energy costs and alternatives in Houston.

WILLARD DUNHAM, Mayor

City of Seward

Seward, Alaska

POSITION STATEMENT: Discussed the City of Seward's energy difficulties and offered suggestions.

DAVE STONE, Mayor

City & Borough of Yakutat

Yakutat, Alaska

POSITION STATEMENT: Discussed energy solutions that Yakutat is considering or in the process of implementing.

DAN O'HARA, Mayor

Bristol Bay Borough

Naknek, Alaska

POSITION STATEMENT: Related the energy situation in the Bristol Bay Borough.

STANLEY MACK, Mayor

Aleutians East Borough

Anchorage, Alaska

POSITION STATEMENT: Discussed energy concerns for the Aleutians East Borough.

VERNE RUPRIGHT, Mayor

City of Wasilla

Wasilla, Alaska

POSITION STATEMENT: Discussed energy concerns in Southcentral Alaska, specifically the City of Wasilla.

DOUG ISAACSON, Mayor

City of North Pole

North Pole, Alaska

POSITION STATEMENT: Discussed concerns and offered suggestions regarding energy issues in North Pole and the state.

PATRICIA PHILLIPS, Mayor
City of Pelican
Pelican, Alaska

POSITION STATEMENT: Discussed concerns with energy and proposed an intertie between Pelican and Hoonah.

HARLEN NEWMAN, Member
King Cove City Council
City of King Cove
King Cove, Alaska

POSITION STATEMENT: Discussed hydro power use in King Cove.

ACTION NARRATIVE

[3:05:59 PM](#)

CO-CHAIR CHARISSE MILLETT called the House Special Committee on Energy meeting to order at 3:05 p.m. Representatives Millett, Edgmon, Johansen (via teleconference), Petersen, and Tuck were present at the call to order. Representatives Fairclough and Joule were also in attendance.

^PRESENTATION ON THE HOUSE ENERGY STAKEHOLDERS GROUP, STATEWIDE ENERGY POLICY BILL

[3:06:23 PM](#)

CO-CHAIR MILLETT announced that the only order of business would be the presentation on the House Energy Stakeholders Group, Statewide Energy Policy Bill.

[3:07:45 PM](#)

BILL POPP, President & CEO, Anchorage Economic Development Corporation, thanked the members of the Stakeholder Advisory Panel, which are listed on slide 1 of the presentation entitled "Energy Policy for Alaska." Mr. Popp, referring to slide 2, explained that the panel was designed for the following:

To develop a statewide energy policy as the basis for a long-term vision to address Alaska's energy challenges and opportunities

Through adopted policy, align state government in a unified set of strategic goals for the State of Alaska

Lead to the development of a comprehensive energy plan to achieve the strategic goals of the State of Alaska

[3:10:41 PM](#)

CHRIS ROSE, Executive Director, Renewable Energy Alaska Project (REAP), interjected that there are a lot of energy plans out there. However, what's lacking in Alaska is an overall state policy for the next several decades. An overall state policy is necessary to provide the guidelines and goals for energy plans and projects. He expressed hope that statewide energy plan legislation will pass this session so that work can begin to establish which goals are important and what plans and projects will implement those goals.

[3:12:10 PM](#)

MR. POPP, referring to the slide entitled "Principles Guiding the Process," related that the principles guiding this process were agreed upon early in the process, including the following:

- ▶ The future success of Alaska's statewide economy is tied to available, reliable, and affordable energy for:
 - Residential users
 - Commercial users
 - Industrial users
- ▶ Worldwide supply and demand for fossil fuels and concerns about global climate change will affect the price of fossil fuels in the future

MR. POPP opined that the state needs to think strategically regarding how to address the aforementioned issues in the future.

[3:12:54 PM](#)

MR. ROSE informed the committee that he and Mr. Popp were both involved in the Tri-Borough Commission Energy Policy, which was already in existence when the [House Energy Policy Stakeholders Advisory Panel] began meeting in July. The House Energy Policy Stakeholders Advisory Panel has had five meetings thus far. At one of the early meetings, the Tri-Borough Commission Energy Policy and Report was reviewed and determined to be a good starting point in the development of a statewide policy. The advisory panel recognized that the Tri-Borough Commission Energy

Policy was focused on Southcentral Alaska, and therefore only some of the ideas could be applied to a statewide policy.

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MR. POPP related that the policy the panel drafted is currently undergoing legal review covers the following basic key points:

- ▶Promotes energy efficiency and conservation
- ▶Promotes development of renewable and nonrenewable energy resources
- ▶Promotes economic development through cost effective, long-term sources of energy for communities statewide
- ▶Supports energy research, education, and workforce development
- ▶Supports coordination of governmental functions and promotes streamlining of regulatory processes, avoiding duplication of effort, and overall coordination of effort by all levels of government

[3:16:20 PM](#)

MR. ROSE, referring to the slide entitled "The Key Steps Going Forward," opined that it helps describe the process the panel went through over the last five months. The panel, he relayed, agreed upon the need for a policy that was distinct from the goals, planning, projects, and implementation that have been discussed. The resulting legislation is very general and allows the legislature, regions, and communities to develop tailored plans while being aligned with the goals the legislature may set and the [statewide] policy. He reiterated the need for a statewide energy policy that's a map for the future. However, that doesn't mean that the legislature can't change the policy at some point. Still, there needs to be a statewide goal while having regional planning and projects to implement those goals, he opined.

[3:18:25 PM](#)

MR. POPP highlighted that although it was a consensus-driven process, there was very spirited debate over various points of the policy and the direction it was taken. He characterized the proposed legislation as a document that has aspects that all members of the advisory panel felt were important to establish, such as a policy that can be codified through the state statutory process and withstand various administrations. The most important first step is to set the foundational policies

because from that goals can flow from which can flow a plan to achieve those goals.

MR. ROSE and POPP thanked everyone who has been involved in this process.

3:20:07 PM

CO-CHAIRS MILLETT and EDGMON both thanked everyone, including the committee members, who have worked on this proposed legislation.

3:22:09 PM

CO-CHAIR MILLETT moved on to testimony from the Alaska Municipal League (AML).

3:22:42 PM

LUKE HOPKINS, Mayor, Fairbanks North Star Borough, said he would review the draft summary on the State Energy Policy and Program Recommendations and provide an update regarding what is going on in the Interior. Interior Alaska, particularly Fairbanks, has issues with the cost of energy as does the rest of the state. He related that the Fairbanks North Star Borough has concern with wood burning activities that have resulted in a nonattainment area in the borough. He indicated that having an attainment plan that works within the next three years is a difficult proposition because three years is a short window for the borough as well as the state, as it relates to funding issues. Mayor Hopkins informed the committee that he is a member of the Alaska Gasline Port Authority Board, which is reviewing the possibility of bringing natural gas by truck from the North Slope to Fairbanks and other Interior areas. Although natural gas is available to the Interior from the Tri-Borough area, it's more expensive than fuel oil in the community. He emphasized the need for Fairbanks to have reliable, affordable, and clean energy in the community soon. Although Mayor Hopkins said that he is pleased to see that the proposed legislation addresses many renewable and alternative energy programs, the Interior faces a short-term issue that he hopes will be addressed in the upcoming legislative sessions. He expressed concern for Fairbanks' ratepayers since Golden Valley Electric Association (GVEA) may not have "jumped onto" HB 183 to ensure that its generating equipment is reliable. If the anchor tenant for bringing natural gas into the community by truck is GVEA, it would lower the rates to the members of that cooperative. Mayor

Hopkins encouraged the committee to consider how HB 183 will impact those in the Interior. He noted concern with renewable and alternative energy [sources/plans]. The current resource available for consumers [in the Interior] is coal, which he assumed means that the Healy clean coal plant will move forward. In conclusion, Mayor Hopkins related his appreciation for the work that occurred to address renewable and alternative energy sources in Alaska.

[3:29:04 PM](#)

STACY SCHUBERT, Director, Inter-Governmental Affairs, Office of the Mayor, Municipality of Anchorage, reminded the committee that Mayor Sullivan established a task force to address energy issues in the Southcentral region. There is a group of concerned individuals who have been working diligently with regard to energy issues, specifically in relation to deliverability in Anchorage. The mayor has also had a test event with Anchorage citizens to focus on conservation efforts. About 4 percent of the community participated and there was about a 4 percent reduction in energy the night of that test. She indicated that there will be more tests of that nature in the future. However, the intermediate solution for the Cook Inlet region is storage, on which the mayor would like to focus over the next couple of years. With regard to the long-term solution for the Cook Inlet region and throughout Alaska, Mayor Sullivan is committed to working with the legislature as it develops solutions.

[3:31:06 PM](#)

REPRESENTATIVE TUCK related his understanding that the utilities were going to run [energy conservation] tests; and then inquired as to when those would occur.

MS. SCHUBERT clarified that the municipality did work with the utilities to perform the aforementioned test. The utilities have indicated that they learned much from that exercise. She said that she didn't know whether additional exercises with the individual utilities are planned.

[3:31:45 PM](#)

DICK KOOS, Member, Ketchikan City Council, City of Ketchikan, spoke on behalf of the mayor of Ketchikan. He opined that the energy policy has to include non-renewable and renewable resources as well as conservation. In Southeast Alaska, the

primary source of energy is hydro. Through the help of the mayors of Wrangell and Petersburg, power was sent through the Swan-Tyee power lines. He noted that there are other sources of energy available if there is a willingness to tackle them. Still, it will require help from the legislature and likely some changes from the federal government. He specified that hydropower has to be recognized as a renewable resource and biomass in the Tongass National Forest has to be available. He then related that nuclear has to be a source of energy as well, particularly since it seems to be more portable. Mr. Koos opined that federal regulations empower the federal regulators and the environmental groups to stop or significantly delay projects. Therefore, the state needs to assert its rights and sovereignty to keep the federal government away.

[3:35:18 PM](#)

CO-CHAIR EDGMON inquired as to the kilowatt per hour rate in Ketchikan.

MR. KOOS answered that it's \$.10 plus \$.01 for diesel that will have to be run. He related that Ketchikan purchases power from the Two-damn pool for about \$.06 cents and the other \$.10 is the cost to run the power lines, etcetera in town. In further response to Co-Chair Edgmon, Mr. Koos confirmed that there is a trend of more people heating their homes with electricity than diesel. In fact, a number of public buildings are considering using electricity. Mr. Koos told the committee that if the data from the consultants to the manager of Ketchikan is correct, in five years Ketchikan will be pushing existing power limits. Therefore, Southeast Alaska needs to continue to implement hydro projects or other projects to generate electricity and connect them together in order to reduce costs.

[3:37:07 PM](#)

ERIC MIDDLEBROOK, Member, Bethel City Council, City of Bethel, thanked the committee for all its hard work traveling throughout the state to take testimony on energy, which he opined is the most important issue for the state. He pointed out that one of the duties of local government is to create an environment in which business and people can thrive. The high cost of energy has made the aforementioned difficult. Although he has had people approach him with various ideas for value-added fish, craft sales, etcetera, it has been difficult for those businesses to take hold and develop with such a high cost of energy. Mr. Middlebrook highlighted that there is another

energy source for rural communities, which is to purchase liquefied natural gas (LNG) on the world market, ship it into rural Alaska, and store it as compressed natural gas. The PDC Harris Group, through a local tribe, has applied for a grant from the Alaska Energy Authority (AEA) for the aforementioned energy source. However, it was denied because it wasn't deemed to be a renewable energy project. Still, Mr. Middlebrook opined that such a scenario should be reviewed. The cost of a pilot study was \$75,000. Furthermore, the cost of LNG on the world market is a fraction of the price of petroleum. He informed the committee that LNG costs about \$4-5 per million British thermal unit (MmBtu) versus over \$30 for petroleum. The LNG market seems to indicate that the price for LNG will remain low for quite some time and the supply will be available. Mr. Middlebrook then informed the committee of a propane project with the North Slope gas supply. The North Slope gas has a large amount of propane in it that needs to be removed before the gas is shipped. The [propane] would be shipped by barge to Western Alaska. He emphasized that Bethel is desperate for any source of energy that's cheaper than oil. However, he expressed concern with the aforementioned project because of the difficulty with shipping things from the North Slope due to weather. Furthermore, there are limited shipping companies in the area. The aforementioned means that the aforementioned project would have some of the same problems with shipping to Bethel that the petroleum distribution does. Moreover, the project is dependent upon the gas pipeline being built. With that said, Mr. Middlebrook encouraged the committee to review the possibility of doing a pilot study for the liquefied natural compressed gas system that wouldn't be dependent upon construction of the pipeline and the short shipping season of the North Slope as it could be a possible low cost energy source for most of Western Alaska and rural Alaska.

[3:41:18 PM](#)

FRANK AGUCHAK, Mayor, Scammon Bay, related the following story to the committee. Back in 1972, the U.S. Army Corps of Engineers came to Scammon Bay to perform a feasibility study of alternative energy, which included small hydro projects. The aforementioned study concluded that small hydro projects were very doable. However, the community elders rejected the project based on concern for the environment. The community of Scammon Bay has struggled over the last two years due to nearly \$8 per gallon for heating fuel. Mayor Aguchak said that he is encouraged to hear that the State of Alaska is in support of the aforementioned alternative energy endeavor. To that end, he

encouraged the committee to continue its work. In response to Co-Chair Edgmon, Mayor Aguchak said that he didn't know the cost of power per kilowatt hour. He then opined that hydro power would be [appropriate and doable] for six months and perhaps wind turbines could address the other six months.

3:45:40 PM

DON MCCONACHIE, Mayor, City & Borough of Wrangell, informed the committee that one of the goals of the Alaska Conference of Mayors is to have 50 percent renewable energy by the year 2025. He encouraged the committee to review Southeast Alaska because Wrangell, Petersburg, and Ketchikan are where a lot of the state would like to be [energy wise]. Wrangell residents enjoy \$.11 per kilowatt hour and those who do a certain amount of infrastructure, such as installing electric heating units, receive \$.08 per kilowatt hour for that section. He encouraged the committee to review the rainfall and high elevation lakes located in Southeast Alaska, which are potential energy for Southeast Alaska along with interties to small communities.

3:47:42 PM

AL DWYER, Mayor, City of Petersburg, also thanked the committee for its work and travel throughout the state. In Petersburg, the wholesale cost of hydro is 6.8 cents, while the average homeowner's cost is \$.11 per kilowatt hour. However, communities such as Kake have faced difficult times due to energy costs. He expressed hope that the electric grid extension, along with the road, to Kake will revive the community. Mayor Dwyer opined that it's important that hydro assets that belong to the state remain with the state because private ownership of hydro assets isn't a good idea since corporations are driven by profit. The Swann Lake Tyee Lake Project is a municipally owned power and light company, the goal of which is to drive the wholesale cost of power down. He explained that a reserve fund has been developed to pay for the things that break. Once enough reserves are accumulated, the cost of power is lowered. He related his belief that in the near future the cost of power in the area will be less than 6.8 cents per kilowatt hour. Mayor Dwyer added that it's important for the Native communities located in Southeast Alaska to benefit from the public monies that Petersburg, Ketchikan, and Wrangell have received. The only way to accomplish the aforementioned is to include them in the grid and eliminate the use of diesel.

3:50:54 PM

ROGER PURCELL, Mayor, City of Houston, informed the committee that although Houston is near Anchorage, 80 percent of the city heats with diesel fuel. Currently, diesel heating fuel costs about \$3.15 per gallon, which has driven up heating costs. He noted that last year he converted his furnace to a coal furnace, which reduced his [energy] costs by about 60 percent. Furthermore, Usibelli delivers coal to the house, at quite a significant savings. He expressed the need to review hydro in the Mat-Su Valley, particularly the Susitna area. He informed the committee that Houston is trying to implement plans that were discussed in 1972 when a comprehensive plan was discussed. He said that it seems projects are studied to death and millions of dollars are spent reviewing and analyzing projects that are put on a shelf to collect dust. It's time, he opined, to follow through because infrastructure and low cost energy bring business and economic growth. He pointed out that although the Mat-Su Borough has a lot of methane gas, there are ordinances prohibiting drilling for methane gas. He recalled a conversation with a legislator who said that if drilling for methane in the Mat-Su Valley jeopardized a bullet line, he/she would ensure it didn't go through. Mayor Purcell opined that the aforementioned is an example of a poor view of the future for Alaska, especially in this area. He expressed the desire not to penalize areas that have other growth areas because it may jeopardize something that may happen in the future. Biomass is another area of opportunity, especially in some of the outlying Bush areas that can be utilized instead of diesel fuel. Furthermore, converting from diesel doesn't cost very much. Mayor Purcell acknowledged that everything needs to come together at once, but emphasized the need to move forward.

3:55:24 PM

CO-CHAIR EDGMON noted that a lot is going on regarding energy in Alaska, in terms of the local, state, and federal government. He opined that one matter to be considered next session will be whether state government should be involved in helping with the energy situation. He further opined that there should be a centralization of the various arms of state government concerning energy. He inquired as to Mayor Purcell's experience with those trying to move the energy issue forward.

MAYOR PURCELL related that the City of Houston just applied for an environmental impact study from AEA for a small generation system for methane along with a bladder system. The

aforementioned would provide low cost steam heat for the school and all the municipal buildings in Houston as well as provide electricity to the industrial areas. Furthermore, the notion is to sell electricity back to Matanuska Electric Association (MEA) in order to pay for the plant itself. However, natural gas and methane is not considered a renewable resource of energy, and therefore may not qualify for the grant funds. Mayor Purcell recalled his time on the Mat-Su Resource Conservation Development [organization] that worked with the Small Business Administration to help people obtain loans for alternate energy [systems]. Those people weren't able to proceed past a certain step and there was no real help to move people past the next phase.

[3:57:49 PM](#)

CO-CHAIR EDGMON surmised then that it would be helpful to have a one-stop shopping area [for local governments to access].

MR. PURCELL said that there really isn't an [agency] that provides information for an individual area, and therefore an [agency] that streamlines the available information would be desirable.

[3:58:43 PM](#)

WILLARD DUNHAM, Mayor, City of Seward, opined that the state's energy policy is probably the most important thing facing the legislature today. He noted that although community needs are different, they're actually the same. Mayor Dunham informed the committee that Seward owns its own [electric] plant and owns 38 miles of line. Currently, the City of Seward is performing a \$5 million upgrade of its diesel backup system. Presently, the City of Seward purchases power from Chugach Electric at a cost of about \$.12 per kilowatt hour. However, he emphasized that the fuel surcharge almost doubles the cost of electricity. The fuel surcharge is a direct cost added on to the bill and [the city] has no control over it whatsoever. Furthermore, the lack of assistance from the state has resulted in a weakening of the delivery systems. The Railbelt Intertie funds have slowly been siphoned back with the accumulated interest and not all the funds were expended. In fact, the city wasn't able to upgrade its system. For example, Seward's system has three different carrying capacities, which can cause problems. Mayor Dunham recalled the [reports] past administrations created. Although he characterized the current report before the committee as simplistic, he said he was glad to have it before the committee.

He noted that now there is "GRETZKY". Although some headway has been made, the six utilities [in Alaska] are about split [on the administration's plan]. It's up to legislators, he said, to build a system to help [local communities]. Mayor Dunham acknowledged that the Railbelt doesn't encompass all the power problems in the state, as has been evidenced by the testimony the committee has heard. He reiterated that communities throughout the state are the same, yet different. Given the right opportunity, he opined that "GRETZKY" could work, especially if the legislature was involved as it was in the Bradley Lake hydro project. In the Bradley Lake project, all the utilities participated by percentage of population and the state backed the bonds that the utilities paid back. He expressed hope that the legislature will review such a process when it implements an energy policy. Mayor Dunham emphasized that it's important for the legislature to address energy needs [of local communities] for which new power delivery systems, generation, weatherization, and alternate energy are key components. However, [an energy policy] can't be accomplished if the state doesn't provide the backing or opportunity to do so. A stable gas supply is also necessary because there is no way to get a gas line to Seward without getting gas reserves. In closing, Mayor Dunham said that although the availability of cash is problematic, the legislature can provide backing for a program. He expressed hope that the legislature will review a financing schedule to accomplish the state's energy goals.

[4:06:40 PM](#)

REPRESENTATIVE TUCK related his understanding that the City of Seward owns the local utility and did have the ability to power its own generation plant by diesel.

MAYOR DUNHAM confirmed that the City of Seward bought diesel for \$.7 a gallon and the power was delivered by hydro, which was \$.11 [per kilowatt hour]. Therefore, the community elected to dismantle its hydro system and use diesel. However, once the cost of diesel rose, Seward worked out a contract with Chugach [Electric] to [purchase] energy from it. The City of Seward decided to hold the diesel plants as backups in order to avoid power outages. Mayor Dunham pointed out that if there's a power shortage in Anchorage, the City of Seward will end up going on diesel at which point energy costs will increase by \$.30 or more.

[4:09:44 PM](#)

REPRESENTATIVE TUCK inquired as to any of the problems Mayor Dunham foresaw with the GRETZKY program as well as some of the solutions for the City of Seward.

MAYOR DUNHAM opined that the "GRETZKY" program is the answer, as it's a centralized power corporation much like that of the Bradley lake project in which [the energy] is prorated out to [the various utilities] that maintain their own systems. The situation would be much like the arrangement the City of Seward has with Chugach Electric. He commented that he didn't believe that the utilities would ever turn over their ownership to the state, and furthermore he didn't believe that would be the best approach either.

[4:12:08 PM](#)

DAVE STONE, Mayor, City & Borough of Yakutat, informed the committee that residents in Yakutat pay \$.55 per kilowatt hour. He then expressed concern that power cost equalization (PCE) isn't available for public buildings or businesses. Due to cheaper energy costs for freezing black cod, boats go to Seward or Sitka to sell their black cod that has to be frozen before sending it to Japan. Mayor Stone opined that the City & Borough of Yakutat is ahead of other communities in terms of energy [solutions] because it's on the second stage of biomass electrical generation. The hope is to bring electricity costs down to \$.11 per kilowatt hour. He explained that Yakutat will plant 6,000 acres of alders as fuel stock. When the alders are grown, a thinning process will begin and that wood will be used to fire the generator. Yakutat is also pursuing wave energy, and is in step three of that process. In fact, Yakutat is the only community that has applied for the funds. He described the wave energy system as a clam shell that pumps fluid to shore to turn the turbines. Mayor Stone acknowledged that the wave energy system is an expensive project, but he expressed hope that the legislature will view it as a good pilot project. Returning to PCE, Mayor Stone pointed out that the state will have to put more funds into PCE if businesses and public buildings are funded. He further pointed out that economic development in the Bush is dependent on energy. In fact, grocery stores are closing because they can't afford to run freezers at \$.55 per kilowatt hour. He highlighted that Yakutat is the only community in Southeast Alaska without hydro capability, which resulted in AEA saying that Yakutat is going to biomass electrical generation. In response to Representative Petersen, Mayor Stone informed the committee that Yakutat invested \$45,000 to study wave power. The study concluded that

wave power in Yakutat is feasible, and therefore the project is moving on to the next step. The hope is that there would be a pilot project for wave power in Yakutat. He noted that the community would need additional funds to support a pilot project.

[4:18:04 PM](#)

DAN O'HARA, Mayor, Bristol Bay Borough, thanked the committee for the opportunity to speak. He informed the committee that it's an exciting time in the Bristol Bay Borough because the local electric company has a thermal drill rig that would result in the capability of directional drilling at 8,000 and 11,000 [feet]. Furthermore, [the local electric company] is ready to drill a second hole. With regard to energy, eight years ago Kvichak Bay had 25 million fish after being closed. The stock size has risen steadily to reach 31 million fish harvested in 2009. In 2010, it's projected that 33.5 million fish are expected to return. However, there's no processing capability in the area. The aforementioned is related to energy because the area residents pay \$.57 per kilowatt hour. He explained that when [this energy source is available] energy costs in the area will decrease to \$.13 per kilowatt hour and include 15 communities and the Bristol Bay Borough. In fact, the rights-of-way for the electric lines are already being planned. Mayor O'Hara opined that it's time for the state to help Naknek Electric and the Bristol Bay Borough with regard to energy. He further opined that [with the availability of lower cost electric power] the processors or the borough would likely [fund a processing plant to] freeze the projected large amounts of fish.

[4:24:12 PM](#)

CO-CHAIR EDGMON inquired as to the impact of the high cost of living in the Bristol Bay Borough.

MAYOR O'HARA informed the committee that for the last five years the population has been moving to Anchorage due to the cost of energy and the lack of a full athletic and music program. The school population decreased from 315 to 145 students and rose slightly this year to 155 students. Furthermore, the cost of energy is so high that retirees have to move to Anchorage in order to survive. Moreover, young people find it difficult to return to the area. He informed the committee that two years ago, Crowley didn't give Perryville fuel, and therefore it had to be flown in. The cost to fly in the fuel was \$750 for five

55 gallons of fuel and \$1,150 for 55 gallons of stove oil. He opined that Crowley not delivering the fuel was unconscionable. Mayor O'Hara suggested that although everyone will have to work together, legislators are integral in the equation of making a difference.

[4:26:45 PM](#)

STANLEY MACK, Mayor, Aleutians East Borough, informed the committee that in the Aleutians there is every type of energy available, but there's no way to harness it. Fortunately, up to this point King Cove has been able to harness the hydro power, which has been a tremendous asset. Although there is geothermal, wave action, tidal action, natural gas, and wind in the area, it's all cost prohibitive to develop. Furthermore, development of any of the aforementioned resources is often heavily regulated and faces environmental opposition. Mayor Mack opined that if some of these alternative energy projects could be identified and running, much of the Aleutians energy problems could be addressed. He then echoed earlier testimony that the fuel surcharge is an additional cost to the already high cost of energy. The Aleutians East Borough, he related, has tried to identify the resources in the area, and is willing to work with the legislature on that.

MAYOR MACK told the committee about the environmental obstacle construction of the King Cove School faced and overcame. During construction of the aforementioned school, a waste heat recovery unit was incorporated for use in the school. Funds had to be borrowed for the aforementioned. Mayor Mack emphasized the need to receive assistance in the form of a grant for projects such as the aforementioned. He related that about \$40,000-\$50,000 has been saved in the operation of the school. He then noted that another source of energy has been identified as a possible supplement to existing energy. He opined that there is energy to supply power to the neighboring community of Cold Bay. The aforementioned eliminates the use of fossil fuel in generators, which are going to have to be upgraded in order to meet upcoming emission standards. The cost to upgrade will cause the cost of electricity to increase. However, an increase in electricity could be avoided if the hydro or geothermal power could be harnessed. Furthermore, such action could lead to an extension of electrical lines to neighboring communities. He reiterated the need to review funding such projects and getting the investment back in a grant form to keep communities alive and well. He then predicted that fish processing plants are going to face more demand on their power grid, which means more diesel

power. However, emissions will be at the maximum level and thus won't be able to be expanded. The use of hydro power could allow the use of alternate energy sources, which could result in the expansion and development of the resource. Mayor Mack said that the borough is looking to partner with the legislature in any way it can to identify the available alternative resources and if possible even receive financing for the long term.

[4:38:00 PM](#)

VERNE RUPRIGHT, Mayor, City of Wasilla, opined that the legislature is a diverse group of people from across the state who certainly understand the problems in their districts. He remarked that the Mat-Su Valley shares the same problems as the Anchorage area. Mayor Rupright related that he fully supports the [proposed] amendment to Title 44, although he noted that it will take political will [to be adopted]. He then expressed the need for one-stop shopping and moving past the borough codes, which seem to be an impediment. He noted his agreement with Mayor Purcell that the aforementioned can be achieved if there is state will behind it. Although there have been many good ideas put forth during the Mayors Conference and today's meeting, the state isn't on one grid and is sectionalized. The aforementioned, he said, results in each area dealing with its own immediate problems. Of critical importance in Southcentral Alaska is storage. Mayor Rupright urged the legislature to take the amended Title 44 and put political power and will behind it with the federal government and lending agencies. He reiterated that on the short-term [Southcentral Alaska] needs to address its storage problem, while on the long-term hydro power, gas development, and methane development is necessary. For example, Sutton to the Beluga fields has enough coal for 1,000 years. The coal has to be used efficiently and the negativity toward coal has to be overcome. Mayor Rupright urged the legislature and the state to support private corporations, Native corporations, and smaller communities to help them overcome the rules and regulations and find funding to have cheap power for economic development, especially in light of the increase in population in the Mat-Su Valley. In conclusion, Mayor Rupright again urged the committee to pass the proposed amendment with some teeth so that it's a one-stop shop "because we're certainly going to go cold and dark in a relatively short period of time in this part of the state if we don't act."

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CO-CHAIR EDGMON noted his agreement with Mayor Rupright in terms of the need for political will to advance the issue of energy. He then inquired as to what the Alaska Municipal League (AML) is doing in terms of discussion and resolutions tied to energy.

MAYOR RUPRIGHT responded that energy has been discussed and AML has put forth a resolution on the topic. He opined that the mayors are supportive of addressing energy issues.

[4:44:52 PM](#)

CO-CHAIR EDGMON returned to the earlier mention of the need for a centralized agency to deal with the various elements of energy without growing government.

MAYOR RUPRIGHT noted his agreement with the aforementioned philosophy in order to help the small and large towns address energy needs. However, he questioned where the funding necessary to pass regulations can be found. He related that the [Mat-Su Borough] code only permits the construction of a 50 megawatt [plant]. The aforementioned is why a gentleman crossed the bridge into Anchorage with a check for \$2.4 million to acquire property that would power an area as large as Wyoming. He suggested that perhaps a used aircraft carrier or boomer could be parked and plugged into to provide nuclear power. The aforementioned is done in rescue missions all over the world.

[4:48:03 PM](#)

DOUG ISAACSON, Mayor, City of North Pole, began by informing the committee that the Alaska Conference of Mayors supports consideration of all routes and the immediate construction of an in-state gas line to provide reliable energy price relief for Alaskan communities as well as an inducement for business and employment enterprises. However, the aforementioned means different things to each mayor. To Mayor Cottle it may mean a line down to Valdez while to those in North Pole, it means obtaining a bullet line that will help power 180 megawatts of Golden Valley Electric Association electricity generation. The goal in the City of North Pole is to obtain something so that the cost of a refined product is lessened. Mayor Isaacson emphasized that the priority for this year would be constructing the gas line. With regard to whether the gas line should be constructed by inducement or by anchor tenants that attract other tenants, Mayor Isaacson highlighted that the [state] has been waiting since the 1950s to have a gas line built by inducement. He opined that a gas line will never be constructed

by inducement until the state steps in and anchors businesses so that more business can grow. The aforementioned has to be addressed otherwise the businesses that are present and the employment from them will disappear in the next few years. He then encouraged the legislature to get coal to liquids going and exporting that for military use, which will allow Alaska residents to have residual pricing rather than premium pricing. Mayor Isaacson then referred to a report from Steve Haagenson, which [proposes] "a trickle up from the Cook Inlet." He explained that there are 70 megawatt transmission lines to move the cheaper produced electricity with natural gas to the Interior. He emphasized the need to solve the natural gas problems in the area, but pointed out that if the Healy Clean Coal plant gets going it will produce 50 megawatts of energy and there's a 60 megawatt power generator in North Pole that could be converted to natural gas or propane for only \$2 million versus \$150 million more to get the Healy Clean Coal plant on-line. He stressed that it's vital for the Interior to get support for North Pole as it has two refineries that have a statewide impact. At this point, North Pole doesn't foresee a bright future without protecting the existing tenant industries.

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PATRICIA PHILLIPS, Mayor, City of Pelican, informed the committee that Pelican has a hydro reservoir and dam. Although the reservoir is fed by a salmon stream, the topography is such that the dam is located where the fish cannot reach. As everyone may know, Pelican's flume collapsed this past August due to torrential rains. The city is in the middle of an AEA upgrade. The city has been working with AEA for about five years and new power plant modules have been put in place to replace old diesels that were from Nevada silver mines of the early 1970s. Because the City of Pelican is using diesel right now, its residents are paying \$.38 cents per kilowatt. However, prior to the collapse of the flume, the residential rate was \$.17 cents per kilowatt. Mayor Phillips reminded the committee that Pelican Seafoods is located in Pelican where it processes various species of fish. The energy costs for the freezers of Pelican Seafoods amounts to about \$9,000 a month when using hydro power, whereas it amounts to about \$17,000 a month when using diesel power. Since schools aren't eligible for PCE, while the Pelican school uses diesel the gym can't be open at night because it's too expensive. The cost of energy for the gym has risen from \$400 when using hydro power to \$1,000 when using diesel.

MAYOR PHILLIPS told the committee that the City of Pelican has identified that the existing hydro resource in Pelican will support the energy needs of Pelican as well as those of Hoonah. Hoonah uses 100 percent diesel and it also has a cold storage facility. Those in Hoonah pay \$.58 per kilowatt for electricity. There has been discussion of constructing a line from Pelican to Hoonah, a community of about 600 residents. Supplying electricity to Hoonah will require construction of an intertie between the two communities. She noted that Elfin Cove lies between Pelican and Hoonah and could also join the intertie. Mayor Phillips suggested that it would be appropriate for this committee to recommend to the legislature to fund a coordinator through the Southeast Conference. She characterized such a coordinator as a valuable outreach resource that's necessary to assist in developing strategies for energy plans and implementation. The AEA recommended an integrated resource plan that would identify energy resources and the economic impact that could be improved through energy efficiencies. The aforementioned, she opined, would illustrate support for distressed economies and rural communities, especially those on diesel power generation. "Clean, efficient, low cost energy is one of the main attributes of building a viable community," she highlighted. If the cold storage in Pelican could run again, value-added fishery resources as well as custom processing for sport caught fish could occur.

[5:00:09 PM](#)

HARLEN NEWMAN, Member, King Cove City Council, City of King Cove, speaking on behalf of the mayor of the City of King Cove, began by informing the committee that he is a former power house hydro operator for the City of King Cove. He opined that renewable energy is necessary. Currently, the City of King Cove is doing an upgrade of its existing facility with [the help of] of AEA. Today, the City of King Cove is using diesel, and thus 700-800 gallons more of diesel than normal is being used due to the hydro power being down. The aforementioned illustrates that hydro is key. He related that King Cove [electricity costs] are about \$.26 per kilowatt hour while in the neighboring city of Sand Point the cost of electricity is about \$.50 per kilowatt hour as it's strictly diesel. The City of King Cove is exploring wind, tidal, and a second hydro facility.

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CO-CHAIR EDGMON recalled a recent visit to King Cove when the community was powered by hydro. He suggested that King Cove,

with its existing hydro facility and second hydro facility coming on-line and possibilities of wind and tidal power, will be a model for other communities.

MR. NEWMAN remarked that it's very exciting to have the existing hydro facility as well as the second facility coming on-line. Furthermore, the city is looking into wind power and moving its existing wind tower to a location that's less turbulent than the existing location.

[5:02:57 PM](#)

REPRESENTATIVE PETERSEN asked if there's an intertie connecting King Cove and Sand Point.

MR. NEWMAN replied no, pointing out that Sand Point is about 80 miles from King Cove while Cold Bay is a neighboring city. The hope is that the second hydro facility would help Cold Bay, which faces a tremendous kilowatt per hour charge.

[5:04:04 PM](#)

REPRESENTATIVE JOULE said that as he has listened today he recalled that in the past the issue of energy was a rural/urban issue that resulted in a fight. Therefore, he opined that he's glad that the energy crisis has reached a statewide issue because it has caused the issue to become a common focus that's helped everyone to find each other's importance and recognize each other's challenges. He further opined that this statewide focus will finally cause the legislature to act.

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CO-CHAIR MILLETT encouraged the mayors to take the policy statement from the stakeholders. She noted that soon a web site will be in place to receive comments. In conclusion, she thanked everyone for their testimony.

[5:05:38 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 5:05 p.m.