

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

December 11, 2009
10:09 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Nancy Dahlstrom
Representative Jay Ramras

OTHER MEMBERS PRESENT

Representative Peggy Wilson

COMMITTEE CALENDAR

House Draft Energy Policy Bill
House Draft Omnibus Energy Bill

PREVIOUS COMMITTEE ACTION

No previous action to report

WITNESS REGISTER

BILL POPP, President & CEO
Anchorage Economic Development Corporation (AEDC)
Anchorage, Alaska

POSITION STATEMENT: Representing the House Energy Stakeholders Group, presented an overview of the formation of the energy policy.

CAITLIN HIGGINS, Executive Director
Alaska Conservation Alliance (ACA)
Anchorage, Alaska

POSITION STATEMENT: Assisted in the presentation of an overview of the formation of the energy policy.

RON MILLER, Consultant

Anchorage, Alaska

POSITION STATEMENT: Introduced provisions of the House Draft Omnibus Energy Bill in his capacity as a consultant to the Alaska State Legislature.

ADAM BERG, staff
Representative Bryce Edgmon
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As staff for Representative Edgmon, sponsor, assisted in the introduction of the House Draft Omnibus Energy Bill.

STEVEN HAAGENSON, Statewide Energy Coordinator; Executive Director
Alaska Energy Authority (AEA)
Department of Commerce, Community, & Economic Development (DCCED)
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on the House Draft Omnibus Energy Bill and the House Draft Energy Policy Bill.

SARA FISHER-GOAD, Deputy Director-Operations
Alaska Energy Authority (AEA)
Department of Commerce, Community, & Economic Development (DCCED)
Anchorage, Alaska

POSITION STATEMENT: Reviewed sections of the House Draft Omnibus Energy Bill.

GENE THERRIAULT, Senior Policy Advisor/In-state Energy
Office of the Governor
Fairbanks, Alaska

POSITION STATEMENT: Responded to questions on behalf of the governor.

MARILYN LELAND, Executive Director
Alaska Power Association
Anchorage, Alaska

POSITION STATEMENT: Discussed the House Draft Energy Policy Bill as a member of the Energy Stakeholders Group that developed the proposed legislation.

MEERA KOHLER, President & CEO
Alaska Village Electric Cooperative, Inc. (AVEC)
Anchorage, Alaska

POSITION STATEMENT: Discussed the House Draft Energy Policy Bill as a member of the Energy Stakeholders Group that developed the proposed legislation.

JOHN DAVIES, Senior Researcher/Public Policy
Cold Climate Housing Research Center (CCHRC)
Fairbanks, Alaska

POSITION STATEMENT: Discussed the House Draft Energy Policy Bill as a member of the Energy Stakeholders Group that developed the proposed legislation.

ALBERT LUKE, Asa'carsarmuit Tribal Council
Mountain Village, Alaska

POSITION STATEMENT: Described the energy efficiency training he was receiving in Anchorage.

PAUL D. KENDALL
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on the House Draft Energy Policy Bill and the House Draft Omnibus Energy Bill.

CLIFFORD FITKA
Marshall, Alaska

POSITION STATEMENT: Speaking as a member of the Marshall Tribe, and on behalf of the Ohogamiut Tribe, discussed the need for net metering in rural communities.

DEWAYNE COOPER
Construction Project Manager
Native Tribe of Marshall
Marshall, Alaska

POSITION STATEMENT: Addressed the need for net metering in rural Alaska and stated his support for the House Draft Omnibus Energy Bill.

TOM LAKOSH
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on the House Draft Energy Policy Bill and the House Draft Omnibus Energy Bill.

WILLIAM WARREN
Nikiski, Alaska

POSITION STATEMENT: Testified during the hearing on the House Draft Energy Policy Bill and the House Draft Omnibus Energy Bill.

FREYA CHAY

Kenai, Alaska

POSITION STATEMENT: Testified on the House Draft Energy Policy Bill.

JERRY MEHLBERG

Valdez, Alaska

POSITION STATEMENT: Testified in support of the House Draft Omnibus Energy Bill.

RICH WILSON, Member

Alaska Ratepayers

Anchorage, Alaska

POSITION STATEMENT: Testified on behalf of Alaska Ratepayers during the hearing on the House Draft Energy Policy Bill and the House Draft Omnibus Energy Bill.

DAVID KARABELNIKOFF

Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on the House Draft Energy Policy Bill and the House Draft Omnibus Energy Bill.

MARVIN YODER

Palmer, Alaska

POSITION STATEMENT: Testified in support of the House Draft Omnibus Energy Bill.

ACTION NARRATIVE

[10:09:04 AM](#)

CO-CHAIR CHARISSE MILLETT called the House Special Committee on Energy meeting to order at 10:09 a.m. Present at the call to order were Representatives Petersen, Edgmon, Tuck, (via teleconference), and Millett. Also in attendance was Representative Peggy Wilson (via teleconference).

[10:09:36 AM](#)

HOUSE DRAFT ENERGY POLICY BILL
HOUSE DRAFT OMNIBUS ENERGY BILL

CO-CHAIR MILLETT announced the first order of business would be the public unveiling of the House Draft Energy Policy Bill followed by the House Draft Omnibus Energy Bill. She relayed

that the committee has traveled throughout Alaska to gather information for both pieces of legislation. Co-Chair Millett urged the public to understand that these are the first drafts of legislation that will be refined by expert and public testimony during the committee process.

[10:10:56 AM](#)

BILL POPP, President & CEO, Anchorage Economic Development Corporation (AEDC), informed the committee that the House Energy Stakeholder Group established a framework for the proposed statewide energy policy. In addition to Mr. Popp and Caitlin Higgins from the Alaska Conservation Alliance, members of the stakeholder group are: Representative Edgmon and Representative Millett, House Special Committee on Energy Co-Chairs; Adam Berg, Jeff Turner, and Larry Persily, legislative staff; Gwen Holdmann, Alaska Center for Energy and Power; Robert Venables, Southeast Conference; Scott Goldsmith, University of Alaska Anchorage Institute of Social and Economic Research; Jason Brune, Resource Development Council for Alaska, Inc.; John Davies, Alaska Cold Climate Housing Research Center; Ralph Anderson, Bristol Bay Native Association; Bob Pawlowski and Denali Daniels, Denali Commission; Stacy Schubert, Municipality of Anchorage; Marilyn Leland, Alaska Power Association; Meera Kohler, Alaska Village Electric Cooperative, Inc.; Ron Miller, consultant; Chris Rose, Renewable Energy Alaska Project; and Kathie Wasserman, Alaska Municipal League. Mr. Popp said that the members of the stakeholders group met over the last several months for intense discussions of the issues surrounding energy in Alaska.

[10:12:52 AM](#)

CAITLIN HIGGINS, Executive Director, Alaska Conservation Alliance, informed the committee that part of the purpose for developing an energy policy was to provide a basis for a long-term energy vision, and a comprehensive and coordinated approach to energy development that takes advantage of Alaska's opportunities and challenges. By taking this step, Alaska will be joining other states that are developing statewide energy policies. Furthermore, a statewide policy will align state government around a set of unified strategic goals that will ultimately guide the state to the achievement of its energy goals.

[10:13:35 AM](#)

MR. POPP added that the key steps of this process were toward a foundation to establish an overarching energy policy that will bring unity to all of the divisions, sub-divisions, and political divisions of state government. He encouraged the use of the policy as a base to develop a set of short-, mid-, or long-term strategic goals. Finally, the policy can be used to develop a plan for the implementation of the programs and projects to achieve the aforementioned goals. He said, "In other words, the foundation is the policy, the direction is the goals, and the plan is how to achieve those goals."

[10:14:43 AM](#)

MS. HIGGINS noted the principle guiding the stakeholders group's process was the importance of affordable, reliable, safe, and available energy to Alaska's economy. There are uncertainties in the market on energy pricing, and concerns about fuel fossil prices and how heavy energy costs are affecting Alaskans. The issue of energy needs to be addressed by the state, and she advised that the first step is developing a statewide energy policy and uniting around goals to help meet future energy needs.

[10:15:14 AM](#)

MR. POPP continued to explain that this policy is fundamental to the economic and social health of residential, commercial, and industrial users of energy. After some research, the stakeholders group agreed to use the Tri-Borough Commission Proposed Southcentral Energy Policy as a starting point. This document addressed many issues that are in common across the state; however, the document was broadened to a statewide focus that would take into account the regional differences that are important to the success of any energy policy initiative.

[10:16:28 AM](#)

MS. HIGGINS highlighted the fact that in the policy, "everything is on the table." The stakeholders group attempted to provide a complete review of the state's energy needs and to offer many economic development options, as well as the necessary resources. The policy covers issues from energy efficiency and conservation to renewable and nonrenewable resource development, research, education, work-force development, the promotion of long-term energy development, the coordination of government functions, and the streamlining of the regulatory process.

10:17:14 AM

MR. POPP reiterated that establishing the policy is the first step. Afterward, the stakeholders group will be developing a set of strategic goals that can serve as an advisory document to the legislature. Mr. Popp concluded by saying that plans must be adopted in order to achieve the goals and implement the programs and projects.

10:17:59 AM

CO-CHAIR EDGMON described the stakeholders group's meeting schedule and the process that resulted in the proposed bill. He characterized the bill as a comprehensive and reasonable statement of an energy policy that recognizes that Alaska is a resource development state, yet is cognizant of global climate change, energy conservation, and energy efficiency. Furthermore, public testimony around the state cited the need for an overarching vision in state statute and also for a centralized clearinghouse that would allow energy to be represented prominently along with other state issues. Co-Chair Edgmon thanked all of the stakeholders group members for the "good work that was done."

10:19:42 AM

CO-CHAIR MILLETT agreed with Co-Chair Edgmon and added that the policy came from the work of the stakeholders. She related the eye-opening experience of working with the conservation community and the resource development community to reach the compromise and consensus that resulted in "a fantastic work product."

CO-CHAIR MILLETT announced the committee would hear a sectional analysis of both bills by staff and then would hear invited and public testimony. The public is also encouraged to comment on the committee's website.

10:21:53 AM

RON MILLER advised the committee that the work draft of the proposed omnibus energy bill was created to aggregate in one bill provisions from the following pending pieces of legislation; HB 148, Energy Efficiency Standards for Public Buildings and the companion bill SB 121; HB 191, Nuclear Power Production; HB 196, Alternative Energy Revolving Loan Fund; HB 218, State Department of Energy; HB 219, Renewable Energy Grant

Requirements; SB 31, Renewable Energy Tax Credits; SB 71, Alternative Energy Systems for Public Works; and SB 150, Emerging Energy Technology Fund at the University of Alaska Fairbanks (UAF). There are other pending bills "that touch on energy", however, the pending legislation included in this work draft is intended to promulgate the proposed energy policy statement in the draft house bill amending AS 44.99.

[10:25:03 AM](#)

MR. MILLER explained that Section 1 is the only new provision that is not currently included in pending legislation. This section amends AS 14.07 and would require the consideration of energy use standards for proposed school construction that is supported with state funds. Section 2 adds a new subsection that proposes that the Department of Education and Early Development (EED) would consider siting plans for new school construction to determine the potential use of the co-generation capabilities of local power plants to provide heat to the newly constructed school. Section 3 begins the section of the omnibus bill that relates to nuclear facilities in the state. In fact, Sections 3,4,5,6, and 7, relate to nuclear power production and were extracted from HB 191, sponsored by Representative Craig Johnson, Alaska State Legislature. Mr. Miller pointed out that the proposed deletion on page 5, line 10, "however, a permit may not be issued until the municipality with jurisdiction over the proposed facility site has approved the permit" will remain in the language of the bill, and only "the governor has approved the permit" is deleted.

[10:26:52 AM](#)

CO-CHAIR MILLETT asked whether this change was to allow local control over issues located "in their backyard."

[10:27:04 AM](#)

MR. MILLER agreed.

[10:27:17 AM](#)

ADAM BERG, staff, Representative Bryce Edgmon, Alaska State Legislature, clarified that Sections 5 and 6 are part of HB 218, and Section 7 is part of HB 148 and SB 119.

[10:28:12 AM](#)

MR. MILLER continued his analysis of Section 8, a provision currently in SB 71, that allows the state to construct public facilities in a way that will use alternative energy sources when available. Section 9 is a provision in HB 148 and SB 119, that requires an agency to submit three reports with a request for an appropriation of \$1 million or more for capital improvements. Sections 10 and 11 relate to the creation of a new department of energy; Section 10, a provision of HB 218, adds the board of directors of the Alaska Energy Authority (AEA) to the official list of the boards and commissions, and Section 11 moves the Alaska Natural Gas Development Authority (ANGDA) from the Department of Revenue (DOR) to a proposed department of energy. Section 12 relates to the renewable energy grant fund, created by HB 219, assuring that applicants can verify that matching funds are available for a project, and that the project will have a financial benefit exceeding the grant amount. It also requires projects to file activity reports with AEA.

10:30:20 AM

MR. MILLER continued to Section 13, a provision in HB 219, that requires AEA to hire an economist or financial analyst with experience in renewable energy to prepare a written evaluation for each project recommended for funding. Section 14 begins the sections dealing with the emerging energy technology fund created by SB 150. The proposed fund will be housed at the UAF and will be used to provide loans and grants for energy projects such as research and development, and demonstration projects designed to test new technologies. Section 15 also is a provision in HB 191, and deletes the exclusion of nuclear energy from the definition of power project, or projects, currently in state statute. Section 16, a provision in SB 31, is related to renewable energy production tax credits, and assures that those credits are not subject to Alaska corporate income tax. Section 17 is also a provision related to renewable energy production tax credits in SB 31, and it offers power producers and utilities tax credits for producing electricity from geothermal, wind, hydroelectric (hydro), tidal, wave, biomass, in-river, or solar energy. Section 18 adds a department of energy to the state list of principal offices and departments. Section 19 also relates to a department of energy and defines its duties and responsibility for certain programs. Section 20 is taken from SB 221, regarding energy efficiency in state buildings, and requires the Department of Transportation & Public Facilities (DOT&PF) to retrofit, where cost effective, all public

facilities within 15 years of the completion of an energy use index database, and that the database must be updated annually.

[10:34:34 AM](#)

MR. MILLER continued his analysis of Section 21, that requires DOT&PF to submit a report to the legislature summarizing energy audits of state buildings within a year of completion. Section 22, a provision in HB 148 and SB 119, requires DOT&PF to adopt a state energy use reduction plan, and to consider the use of energy contracts when cost effective. Section 23 moves AEA from Department of Commerce, Community, & Economic Development (DCCED) to the proposed department of energy for administrative purposes only. Section 24 increases the membership of AEA from five to seven members, names its directors, and sets overlapping terms of two years. Section 25 further relates to the AEA board. Section 26, a provision in SB 221, requires AEA to develop an energy use index database so that public facilities can measure baseline energy consumption, and to adopt regulations establishing the methodology used. Section 27 deletes the exclusion of nuclear energy production from the definition of power project, or projects, in AEA statutes. Section 28, a provision in HB 196, provides for a variety of capitalization sources for the alternative energy revolving loan fund. Section 29, another provision in HB 196, requires that any alternative energy project funded by the alternative energy revolving loan fund be located in Alaska. Section 30, another provision of HB 196, requires that a loan from the alternative energy revolving loan fund be secured by the real property to be improved, and sets the interest rate at between 5 and 8 percent.

[10:38:56 AM](#)

MR. MILLER turned to Section 31 and said that this section is also a provision from HB 196. He asked Mr. Berg to complete the analysis of Section 31.

[10:39:39 AM](#)

MR. BERG said that the intent of Section 31 is to add high efficiency wood burning stoves to the definition of alternative energy systems, so owners may qualify for loans. To accomplish this, the language in the bill may need to refer to efficiency ratings of stoves. In fact, some newer woodstoves are burning "normal" logs efficiently and should qualify for alternative energy loans.

[10:40:23 AM](#)

MR. MILLER further explained that the discussion of the language in Section 31 centered on what is "processed" or "unprocessed" wood. Section 32 relates to a provision in HB 191 and its intent is to exclude nuclear fuel as a supplier of energy in the definition of an alternative energy system. He read from page 20, line 5, the following:

(A) means a source of thermal, mechanical, or electrical energy that is not dependent on oil or gas for the supply of energy for space heating and cooling, refrigeration, and cold storage, electrical power, mechanical power, or the heating of water.

MR. MILLER pointed out that this change would remove existing language that reads "or a nuclear fuel" from the definition of alternative energy systems in AS 46.11.900(1).

[10:42:09 AM](#)

CO-CHAIR MILLETT asked for clarification on the federal definition of alternative power.

[10:42:18 AM](#)

MR. MILLER advised that nuclear energy is not considered alternative energy under the federal definition.

[10:42:31 AM](#)

MR. MILLER stated Section 33 is called the "repealer section." From a provision in HB 191, it repeals the prohibition of the transportation of high level nuclear waste; from HB 218, it relates to the Alaska Housing Finance Corporation (AHFC) statute governing home energy conservation and weatherization; from HB 196, it relates to the alternative energy revolving loan fund, the alternative energy revolving loan fund interest rates, and the transfer or selling of mortgages and/or notes. Section 34, that is a provision in SB 31, is a sunset date for alternative energy tax credits set for 1/1/25. Also from SB 31, Section 35 allows unused tax credits to be carried forward until the tax year following 12/31/25. Section 36, that is a provision in SB 221, gives the AEA six months from the effective date of the energy omnibus bill to establish an energy use index database. Section 37, that is a provision from HB 148, SB 119, and SB 221, requires DOT&PF to submit a report of recommendations from its

energy audit by 1/31/11. Section 38, a provision from HB 218, relates to the initial appointment of public members to the AEA board.

[10:45:26 AM](#)

CO-CHAIR EDGMON asked for recognition of the bills, and sponsors thereof, from which the omnibus bill was compiled.

[10:45:52 AM](#)

MR. BERG recognized the following: HB 148, Energy Efficiency Standards for Public Buildings, sponsored by Representative Les Gara; HB 191, Nuclear Power Production, sponsored by Representative Craig Johnson; HB 196, HB 218, and HB 219, sponsored by the House Special Committee on Energy; SB 31, Renewable Energy Tax Credits, sponsored by Senator Lesil McGuire; SB 71, Alternative Energy Systems for Public Works, sponsored by Senator Gene Therriault; SB 121, Energy Efficiency Standards for Public Buildings, sponsored by the Senate Resources Standing Committee; and SB 115, Emerging Energy Technology Fund, sponsored by Senator Lesil McGuire.

[10:46:59 AM](#)

CO-CHAIR MILLETT expressed her belief that a lot of work was done to take the best parts of the aforementioned bills; however, there are issues not addressed in the omnibus bill, such as the Integrated Resource Plan, the Greater Railbelt Energy and Transmission Corporation (GRETC), the in-state gas pipeline, and the needs of Southcentral. In fact, the committee plans to complete a comprehensive side-by-side analysis on the Chakachamna Hydropower project, the Susitna River hydroelectric project, Mt. Spurr, the Fire Island Wind Farm, coal gasification, and other projects that are similar in nature and that provide a level of energy. She opined that the time to advocate for one project over another is not until after the comprehensive analyses and energy costs are completed during the first month of the legislative session. At that time, public and expert testimony on each project will be heard. Also, she assumed other ideas will be offered during the session. In addition, because there is not a fiscal note on the omnibus bill as yet, it remains a "work in progress." Co-Chair Millett concluded the first draft of the bill will continue to move Alaska along the road to an energy plan.

[10:51:12 AM](#)

CO-CHAIR EDGMON pointed out that a lot of the appropriation measures that support energy programs are tied to the budget process, which is out of the realm of the proposed legislation. Furthermore, since the bill is a committee bill, it cannot be prefiled and will remain a working draft until the beginning of the legislative session on 1/19/10.

[10:51:49 AM](#)

REPRESENTATIVE PETERSEN stressed the importance of establishing a state energy department. Energy development is an important issue for the future of the state, and placing the various energy agencies "in one category ... will make it easier for businesses and individuals to get the best use out of our state administration."

[10:52:46 AM](#)

REPRESENTATIVE TUCK warned that the proposed legislation must meet the state's future energy needs, as well as its current needs. He noted that the supply of energy will play a huge role in future economic development and in building an industrial base in the state.

[10:54:32 AM](#)

STEVEN HAAGENSON, Statewide Energy Coordinator; Executive Director, Alaska Energy Authority (AEA), Department of Commerce, Community, & Economic Development (DCCED), agreed with Co-Chair Millett that the stakeholders, though a diverse group, worked through some rough issues and came to solid solutions. During his review of the energy policy, he noticed that it is well-aligned with Governor Parnell's four pillars of energy: using fossil fuels, including coal, natural gas, and oil; developing renewable resources, including geothermal, wind, solar, hydroelectric, hydrokinetic, tidal, wave, and biomass; promoting conservation and efficiency; and providing assistance to Alaskans. Mr. Haagenson said he was pleased to see an economic development section in the proposed legislation, as that is a critical piece to the long-term health of Alaska.

[10:56:17 AM](#)

CO-CHAIR EDGMON asked for comments on components of the bill.

[10:56:36 AM](#)

MR. HAAGENSON said "It's a little early to comment on that."

[10:56:55 AM](#)

SARA FISHER-GOAD, Deputy Director-Operations, Alaska Energy Authority (AEA), Department of Commerce, Community, & Economic Development (DCCED), called the committee's attention to Sections 12 and 13 of the draft omnibus energy bill, relating to the renewable energy fund, and said that some of the changes to AEA programs were recommended by the audit report issued after rounds one and two evaluations of last year. She informed the committee that AEA has made changes in analyses since rounds one and two, and has adopted regulations that will further clarify its processes. At this time, AEA is in the midst of its round three evaluation. Ms. Fisher-Goad pointed out that AEA uses a [Benefit Cost (BCR)] ratio analysis through the stage two and stage three reviews of its projects; therefore, the BCR analysis is about 16 percent of the total review. Alaska statute requires that highest "weight" [in the analysis] is the cost of energy, and the percentage in rounds one and two was 30 percent. However, in round three, AEA will use 25 percent for the cost of energy. In addition, Alaska statute requires that "match" and "regional spreading" carry significant weight in the analysis. Regarding regional spreading, she explained that this allocation is done after the project analysis; so, although significant weight is attached, it is on a different track and is factored by AEA's advisory committee. The match requirement for rounds one and two was 25 percent of "the feasibility" and for round three it is 20 percent. Ms. Fisher-Goad reminded the committee of other factors such as project feasibility, scope and schedule, qualifications of the applicant, technical feasibility, a financial plan, economic feasibility, and the readiness of the applicant to complete the project. She noted that the weight of readiness of the applicant was increased from 5 percent in rounds one and two, to 10 percent in round three. During the third stage of analysis, a detailed and thorough study is made of additional and other benefits, economic feasibility, local support, and the sustainability of a project. She assured the committee that AEA strives to treat every applicant fairly and that every project is reviewed in a fair manner. Ms. Fisher-Goad offered to work with staff with respect to what is perceived to be missing from the AEA evaluation process.

[11:00:53 AM](#)

MS. FISHER-GOAD turned to the economic analysis in Section 13, that requires AEA to contract with an economist or a financial analyst, and said that AEA currently uses the Institute for Social and Economic Research (ISER), University of Alaska Anchorage (UAA), and other sources for financial analyses. In fact, AEA is now using ISER in a quality control capacity to provide consistency in reports and to streamline the reporting process. She suggested that the committee refine what is expected in a report from AEA to the legislature.

[11:01:54 AM](#)

CO-CHAIR EDGMON pointed out that a provision of the bill asks for either an economist or a financial analyst, with experience in the field of renewable energy, prepares a written evaluation for each project. He asked if AEA does this now.

[11:02:19 AM](#)

MS. FISHER-GOAD said yes. However, the evaluation is in a point-basis spreadsheet format that could be made more "readable." ISER is the lead contractor tasked with providing consistency in economic reports. She also assured the committee that AEA already provides activity project reports through grant processes as required in Section 12. Ms. Fisher-Goad also suggested that the committee clarify the legislature's expectation of what an activity report should include.

[11:03:57 AM](#)

GENE THERRIAULT, Senior Policy Advisor/In-state Energy, Office of the Governor, in response to Co-Chair Edgmon, said that the governor questioned whether the expense of a new department of energy is necessary. He remarked:

I think he does agree that there could be, certainly, some focus brought on the overall state efforts on energy that would make the existing structure more efficient. I think part of the governor's ... concern stems from the fact that he was involved in the legislature years ago when money was very tight and the legislature took steps to do away with one department.

MR. THERRIAULT then pointed out that [Director of the Office of Management and Budget] Karen Rehfeld was not able to accommodate

all of the funding requests from the state agencies in the current budget. He expressed the administration's willingness to work with the legislature to ensure that the structure of state government is efficient, gets the work done, provides oversight, and that the citizens of the state are directed to the proper agencies; however, spare dollars, rather than covering the overhead of another department, will be steered "into some of the existing areas where money is tight."

11:06:00 AM

CO-CHAIR MILLETT opined that this is not an opportunity to grow government, but to streamline government. The original language of the proposed legislation was developed after many trips to hear testimony from rural areas, and to hear conversations about energy throughout the state. She related citizens feel our government is not "user-friendly;" in fact there is a duplication of work in different departments. Co-Chair Millett encouraged the governor, the legislature, and the affected departments to look for duplication and take the opportunity to streamline agencies, either under a department of energy or within the DCCED. She applauded the appointment of Mr. Therriault and stressed the need for a position at the cabinet level to assure Alaskans that the governor understands the importance of energy to the overall health of the state's economy and citizens. Co-Chair Millett then restated her belief that as the state energy policy is developed, there is the opportunity to streamline the process for those citizens who are in "dire need." Although Governor Parnell has been very responsive to the legislative energy committees, she expressed her hope to "further the conversation so we can make sure that, as we go forward with our overarching energy policy, it works."

11:08:43 AM

CO-CHAIR EDGMON added that the committee has heard from all corners of the state, including mayors, who expressed the need to consolidate all of the different entities that deal with energy issues. He welcomed Mr. Therriault to his new position, and said there are compelling reasons to talk about a new department of energy, as energy is "the underpinning of every one of the other 14 departments, and every facet of government and the private sector in Alaska." In addition, testimony heard by the committee favored a centralized agency for federal and Outside sectors to work with on energy issues, such as federal sources of money for tribal and energy matters.

11:10:26 AM

MR. THERRIAULT asked whether the creation of a new department is the way to respond to the needs of the public, or if there is another structural change that should take place. He agreed that this is a good opportunity for the legislature to review the previous limitations put on AEA that may have led to some of the concerns heard today. Finally, he expressed the governor's appreciation of the committee's work and opined the draft omnibus bill will "pull together different parts, and different pieces of legislation, so that you can really focus the attention, when you start your 90-day session."

11:12:11 AM

CO-CHAIR MILLETT opened public testimony.

11:12:39 AM

MARILYN LELAND, Executive Director, Alaska Power Association, informed the committee that the Alaska Power Association (APA) is the trade association for the electric utilities around the state. As a member of the energy stakeholders group, she thanked the committee co-chairs for their time and support. Although APA membership has not developed a position on the proposed legislation, she read the following resolution [original punctuation provided]:

A Resolution Issuing an Urgent Legislative and Administrative Call to Action for an Energy Policy.

The entire state of Alaska is facing an energy crisis. Alaska's economy was built on affordable energy. Communities statewide are faced with aging generation and transmission facilities. The unstable price and supply of fuel is increasingly impacting Alaskans everywhere.

Without leadership from policy makers Alaska's entire economy will crumble. Policy makers must adopt and implement a statewide energy policy that focuses on regional priorities, provides commitments to short-, mid-, and long-term generation and transmission facilities, and facilitates fuel development and storage infrastructure projects with financial commitments from the State.

A large hydro electric project, developed similar to the Bradley Lake Hydro project, should be the primary long-term generation priority of the State of Alaska, since it will meet the needs of 75% of Alaska's population well into the future. Additionally, the State should develop and implement viable long-term generation options for Alaskans not served by the Railbelt system, such that affordable, reliable electricity is available to every Alaskan, regardless of where they might reside.

Finally, the State of Alaska must ensure that reliable and affordable fuel is available for power generation across the state. The State of Alaska must do more to encourage natural gas exploration in Cook Inlet; and should financially participate in building natural gas storage and pipeline infrastructure. The State should ensure that generation fuel for non-interconnected utilities is available at a cost per BTU comparable to the cost of Railbelt fuel sources.

Alaska Power Association urges the Legislature and Administration to make energy policy development the highest priority for the 2010 legislative session.

[11:16:54 AM](#)

MEERA KOHLER, President & CEO, Alaska Village Electric Cooperative, Inc. (AVEC), informed the committee that the Alaska AVEC participated as a member of the stakeholders group and noted that the advisory group process "does really given us a voice into the process. She acknowledged that small, geographically remote communities in rural Alaska have a very high cost of energy and these costs "are killing our communities." This issue must be addressed by the state; in fact, she has proposed an all-Alaska generation and transmission concept and expressed her hope that it will be looked at because it offers a near-term option that could lead to reliable and affordable energy in rural Alaska.

[11:18:19 AM](#)

CO-CHAIR EDGMON recalled there are three wind turbines in Kasigluk that at peak power could provide up to 40 percent of the local electrical needs. He asked whether AVEC has data available that recognizes that diesel fuel will continue to be

the prominent fuel supply to the utilities, along with renewable sources.

[11:19:45 AM](#)

MS. KOHLER advised that the three 100 kilowatt wind turbines in Kasigluk are capable of supplying 85 percent of the power at peak production and, on a year-around basis, they are providing 18-20 percent of the power used in two communities. In fact, wind turbines in Toksook Bay have achieved over 80 percent input at peak production; however, due to the intermittent nature of wind, the maximum displacement tends to be less than 30 percent, although 40 percent is anticipated in Gambell and Savoonga. AVEC has wind projects in nine communities with funding from the Denali Commission, the U.S. Department of Agriculture Rural Utility Service and, most recently, the alternative energy fund. These projects will allow AVEC to make inroads toward the displacement of diesel fuel; in fact, its board of directors adopted the goal of displacing 25 percent of diesel fuel used by the use of renewable fuels by 2020. She acknowledged that diesel will continue to be the mainstay of energy provision, though grants from state and federal sources to construct renewable power generation infrastructure have reduced the cost of power to all of the communities served by AVEC.

[11:22:42 AM](#)

REPRESENTATIVE PETERSEN asked whether solar will be used to displace diesel fuel in summer.

[11:22:50 AM](#)

MS. KOHLER relayed that a 50 kilowatt solar array is planned for a village next year to demonstrate the displacement of diesel fuel by solar energy. Because the demand for energy is lowest in summer, the impact will be limited. However, she suggested that building with a "solar wall" has potential value for village school construction.

[11:24:33 AM](#)

JOHN DAVIES, Senior Researcher/Public Policy, Cold Climate Housing Research Center (CCHRC), noted that he was a member of the stakeholders group and appreciated the fellow members' hard work. As the senior researcher at the CCHRC, he expressed his strong belief that it is essential that energy issues are elevated to department or cabinet level focus in state

government. Additionally, he is concerned that the efforts toward conservation and efficiency in the bill will take a second place behind the search for supply. To illustrate the value of conservation and efficiency, he said gas and oil heat for a building costs \$10-20 per million BTUs; whereas, with an energy conservation effort saving 25 percent, when amortized over about 30 years, the cost is \$3-6 per million BTUs. Moreover, the savings from energy conservation will support economic development in the local economy. Finally, Mr. Davies stated his intention to produce a model residential and commercial building code based on the International Energy Conservation Code (IECC), and that can be adapted by any community in the state.

[11:28:52 AM](#)

CO-CHAIR EDGMON recalled that energy conservation was a prominent point of discussion during the stakeholders meetings. The draft legislation calls for a 15 percent increase in energy efficiency on a per capita basis between 2010 and 2020. He asked whether this was a realistic goal.

[11:30:01 AM](#)

MR. DAVIES said it was. However, larger reductions are possible "on the space heating side with energy efficiency and conservation, then it is on the electrical use side." He opined the targets in the proposed bill are very reasonable and significant numbers. In further response to Co-Chair Edgmon, Mr. Davies advised that conservation goals need to be in the bill and he would help craft them.

[11:32:02 AM](#)

ALBERT LUKE, Asa'carsarmuit Tribal Council, Mountain Village, informed the committee he was in Anchorage for three days of training about energy efficiency such as solar panels, wind turbines, and heating water by solar hydronics. During his training, Mr. Luke learned that energy generation through wind turbines and solar panels is a clean, reliable, and economical source of energy for rural Alaskans. Currently, the villagers in Mountain Village are paying \$6 per gallon for diesel fuel and \$0.75 cents per kilowatt hour for electricity. Mr. Luke relayed that conversion to wind turbines in the village of Perryville brought the cost down to \$0.04 per kilowatt hour. He opined that making wind turbines available for more communities in rural Alaska would prevent AVEC from "shut[ing] our power down

because ... a lot of people out there can't afford the energy." Mr. Luke concluded that wind turbines and solar panels are a good source of reliable and cheap energy.

[11:34:29 AM](#)

CO-CHAIR MILLETT pointed out that work force development training will allow necessary equipment maintenance to be performed by local residents.

[11:34:47 AM](#)

PAUL D. KENDALL, expressed his regret at not being a member of the "inside stakeholders group." He opined this discussion is not about carbons, hydrocarbons, or stakeholders, but about the very serious business of energy. Energy belongs to the residents of the state, and he expressed his frustration at accommodating "those people who want to feed off the energy for revenue generation." Regarding the proposed legislation, he stated his belief that energy belongs to every person in the state at a given annual allotment for no charge. Mr. Kendall explained the need for a residential, all-electric, model home of 1,000 square feet to use as a common base model. This model, complete with an electric vehicle, finance, gas, water, electricity, and social services, would serve as a foundation for the "new frontier." He predicted that the planet will "de-carbon" and that means the carbon market has snapped up all sectors of society, leaving no place for free enterprise to go. He encouraged the committee to research patents issued to organizations and individuals such as VW, Honda, and a MIT professor, to see how the world is about to change. In fact, Alaska has a chance to lead the rest of the world "if it can get past the corruption." The proposed legislation is a bill of insiders and the stakeholders group should have been opened up to public members and the meetings made available for public viewing. Mr. Kendall stated he was glad to hear the representatives from rural Alaska discussing the use of wind energy; moreover, Alaska's true partnership is with water and its potential for detonation, and the opportunities for the Cook Inlet, the Knik Arm, and the Susitna River. He opined the Cook Inlet, 200 miles long, 10-30 miles wide, and 60-125 feet deep, "has enough water to push large, huge, cities." Scotland, Ireland, England, and India have projects and Alaska should have 15-20 projects in the Cook Inlet, the Knik Arm, and the meandering body of the Susitna River; projects such as these should be partnered with the federal government and others to spawn "one new idea after another." Mr. Kendall strongly

encouraged the committee to "decouple" the residential energy generation, supply, and storage from all other sectors in order to foster inspiration. Mr. Kendall warned that this moment in history is so large, there is no applicable model and when that happens "you have to drop back and protect your family and your neighbor, and those things transcend ... code terms for nonsense." He concluded that the world will be changing rapidly and said "You cannot conduct business as you did as usual in the past in these unusual and wonderful, magnificent times. And Alaska stands to lead the way because you had the ability to reach into this inlet out here and become the first zero-carbon, residential, all-electric, city on the planet." Mr. Kendall thanked the chair for hearing his testimony.

[11:47:08 AM](#)

CLIFFORD FITKA informed the committee he is an electrician from the Native village of Marshall on the lower Yukon River, and he uses his trade to help with local housing. Mr. Fitka said he is a member of the Marshall Tribe, and he is attending training on renewable energy sponsored by the Ohogamiut Tribe and the Yukon River Inter-Tribal Watershed Council. He expressed his excitement about the use of wind and solar power in rural communities. He is planning on using these power sources in his own home due to the high cost of heating fuel and electricity. However, his local electric utility is against using personal wind generation and does not allow net metering. He also referred to Perryville and its successful use of wind energy technology. The windmills in Perryville are tied to the grid and are installed and maintained by the villagers. Mr. Fitka explained the difficulty of life "off the grid ... but my heart is also out there and ... I have a right to live there as well." He stressed the need for long-term solutions, so that village residents do not have to make choices between buying food and fuel, as has happened when his light bill was \$3,000. Instead of hand-outs, his community wants solutions and self-determination. He reiterated that windmills are small enough for the villagers to install and maintain. Mr. Fitka then pointed out the value of projects that can be built and maintained by local workers, unlike the new school in Marshall that is being built by outside labor. He encouraged the committee to review net metering and restated the value of solar and wind generation solutions for the Bush communities.

[11:58:27 AM](#)

CO-CHAIR EDGMON asked whether the community of Marshall was taking action by accessing tribal or federal resources.

[11:59:26 AM](#)

MR. FITKA explained that he was not on the tribal board, but in Anchorage for training. However, he related that individuals in the community that were looking at grants and the possibility of installing wind generators for homes "were stonewalled by AVEC."

[12:01:04 PM](#)

CO-CHAIR EDGMON stressed that energy solutions will come from a partnership effort involving communities, individuals, and elected officials working together.

[12:01:51 PM](#)

MR. FITKA assured the committee he will share his training with his community. He then invited the representative from AVEC to visit his community.

[12:02:51 PM](#)

CO-CHAIR MILLETT said it was good to see Alaskan communities learning from each other and participating in work force training for their local residents. It is important for communities to be proactive and to take ownership of their energy issues.

[12:04:40 PM](#)

DEWAYNE COOPER, Construction Project Manager, Native Tribe of Marshall, listed his professional qualifications and educational background. Mr. Cooper stated that he generated about \$3 million worth of housing funding for the tribe, including a contract for \$1.2 million of America Recovery and Reinvestment Act of 2009 (ARRA) stimulus money to build seven homes. This new construction will use energy efficient materials with a R-48 [energy efficiency] value. He noted that his job was to implement policies and regulations regarding construction and energy efficiency, and to "get the most ... for the buck." He advised the committee that in Marshall, the cost of a kilowatt hour is seven times greater than in Anchorage. He opined a wind generation system could share information with AVEC's grid in case of an emergency; however, the tribe is being denied access to the grid.

[12:08:41 PM](#)

CO-CHAIR MILLETT explained that net metering was not addressed in the proposed legislation because the Regulatory Commission of Alaska (RCA) is in the process of issuing rules and regulations on this issue. At this time, net metering can be offered by utilities on a voluntary basis. She said she was available to hear further discussion on net metering in her office.

[12:09:49 PM](#)

MR. COOPER agreed that there should be regulations on the utilities. He expressed his support of the proposed legislation and then referred to pending changes in federal law that will allow the tribe to start its own housing authority. Mr. Cooper suggested the need for a regional shareholders group as the Yukon-Kuskokwim Delta is not being represented. He advised the committee that his organization will request funds from the Denali Commission for small windmills; in fact, his commitment to wind generation inspired him to transport tower materials at considerable personal risk.

[12:13:38 PM](#)

CO-CHAIR EDGMON encouraged Mr. Cooper to provide comments regarding the proposed legislation.

[12:14:23 PM](#)

MR. COOPER suggested that there can be further discussion on all of these issues at a later date.

[12:14:54 PM](#)

TOM LAKOSH expressed his hope that the allegations in his testimony can be substantiated and/or investigated further. He opined that the proposed policy bill does not reflect an appreciation for the impediments to the implementation of its goals. Although the bill sets policy guidelines, it does not contain a means to bridge the gaps between the utilities, the public interest, private power producers, and conservation organizations. Mr. Lakosh suggested an amendment is necessary to require strict renewable energy portfolio and conservation standards, and advised that such standards are available; in fact, the committee can call on AEA to present realistic goals from research on known projects. Referring to the wind farm

project at Fire Island, he said he found the utilities, the private power producers, and the AEA have their special interests and are competing, rather than cooperating. He restated the need for obtainable standards with penalties applied for non-compliance. The state needs a "2012 Renewable Portfolio Standard" so it can undertake the steps necessary "to get these projects off the ground." Mr. Lakosh assumed the aforementioned was the purpose of the Regional Integrated Resource Plan (RIRP) and GRETC; however, allowing provisions in these programs to be voluntary is not going to work.

[12:21:37 PM](#)

CO-CHAIR MILLETT explained that GRETC was not addressed by the proposed legislation because of the on-going negotiations.

[12:21:55 PM](#)

MR. LAKOSH maintained that a bill "being totally voluntary and advisory, isn't worth the paper it is written on."

[12:22:11 PM](#)

CO-CHAIR MILLETT asked Mr. Lakosh to return to the committee during a hearing on the GRETC bill.

[12:22:27 PM](#)

REPRESENTATIVE PETERSEN acknowledged that mandates for the utilities are necessary in order to meet goals. He agreed that the states that are making progress toward renewable energy goals have mandated that utilities reach benchmarks by a date certain.

[12:23:12 PM](#)

MR. LAKOSH continued to say the GRETC legislation that proposes a voluntary association provides no incentive for cooperation. Regarding the production tax subsidy, he encouraged expanding the tax to include renewable fuels, so that there will be competition in the home heating and transportation fuels market. Mr. Lakosh returned to Section 20 of the proposed energy omnibus bill and suggested that the language of the goals for maintenance include "the highest benefit to cost ratio should be pursued." In Section 22, "meet or exceed applicable standards" should be added. Mr. Lakosh questioned the value of an advisory policy statement versus strict standards in the policy, and in

the regulations, for the proposed department of energy. His recommendation was to use international standards, adjusted according to the specifics of Alaska, and including a method for adjudication for non-compliance.

[12:27:36 PM](#)

WILLIAM WARREN informed the committee he is a 58-year resident of Alaska and a retired pipefitter/welder. He addressed the proposed energy policy bill and said he supports the development of natural gas and using the byproducts of propane in much of Alaska. In addition, Mr. Warren expressed support for using the Alaska Natural Gas Development Authority (ANGDA) for the construction of a "stand alone system" that would merge with the future natural gas pipeline "megaproject." Regarding energy conservation, he suggested the implementation of a two-tier pricing system with very low rates for a 1,000 square foot house with a Four-Star Energy Rating limited to 150 million cubic feet of natural gas per year, and higher rates charged for exceeding the limit, or for a house with a Three-Star Energy Rating. Turning to the cost of piping, he encouraged the committee to find a way to "get mainline extensions to people." Mr. Warren concluded by referring the committee to the energy policies of Utah, where compressed natural gas will be used to power automobiles. Natural gas is good for all of Alaska, and "will treat us well."

[12:31:42 PM](#)

FREYA CHAY informed the committee she is a freshman at Kenai Central High School. Referring to Section 1 of the proposed energy policy bill, she noted that the intent of the legislation is that the state receives 50 percent of its electric generation from renewable energy sources by 2025. She expressed her support of this goal and suggested, as part of her "Caring for the Kenai" project, that the legislature exempt alternative energy systems from real property tax assessments. Ms. Chay opined that to achieve the 2025 goal it will be useful to promote alternative energy at the homeowner level, as well as at the commercial level. An alternative energy property tax exemption would serve as an incentive to homeowners and is simple to implement; however, in order for local governments to do so, there must be enabling state legislation. She stated her intent to find a sponsor for her proposal during the upcoming legislative session.

[12:33:31 PM](#)

CO-CHAIR MILLETT encouraged Ms. Chay to contact the mayors of the Kenai Peninsula Borough and the City of Kenai to discuss how to fund the tax exemption.

12:34:48 PM

JERRY MEHLBERG said he was a 28-year resident of the state, a licensed plumber, a heating technician, and a member of the City of Valdez Energy Task Force. He expressed his agreement with the comprehensive bill and described how the proposed bill would have an impact by incorporating alternate fuels into new and existing public work projects. Specifically, if the state installed wood pellet burners into existing state boiler systems, there would be a large, long-term commercial user of wood pellets and an alternative to fuel oil. This would be an incentive for the development of wood pellet plants in the state, further reducing the cost of the pellets; furthermore, wood pellet plants produce excess power to sell to the grid. He advised that wood pellets have about a 40 percent cost advantage over oil at today's prices, but market demand by a large commercial user is needed.

12:37:09 PM

RICH WILSON, speaking on behalf of Alaska Ratepayers, informed the committee Alaska Ratepayers is a consumer organization formed to address related issues and educate residents about energy needs of the Railbelt "and beyond." Energy needs are not a Railbelt issue or a rural issue, but everyone together must find common ground in order to "get a consensus through." Mr. Wilson expressed Alaska Ratepayers' appreciation to the legislature and the administration for their work so far. He called attention to the draft policy bill goals that are: (1) institute a comprehensive and coordinated approach to supporting energy efficiency and conservation; (2) encourage economic development; (3) support energy research, education, and workforce development; and (4) coordinate governmental functions. He opined that as a matter of policy, "we need to go beyond the word 'encourage economic development'." Mr. Wilson reminded the committee that the Four Dam Pool Power Agency and the Bradley Lake project would not have been successful without the equity commitment [by the state]. He agreed with the Alaska Power Association that a large hydro project should be the centerpiece of energy legislation for the Railbelt, with Susitna being the preferred project. His organization is looking for the long-term solutions to predictable and affordable energy

prices. However, state participation is necessary. In totality, it appears that the omnibus bill puts a lot of emphasis on [demand side management/energy efficiency] issues and not enough on the resources needed for implementation.

[12:41:58 PM](#)

CO-CHAIR MILLETT agreed that there are not any funding sources in the proposed legislation. She advised that the committee is waiting for the administration to issue its AEA Power Project Fund appropriation amount. In fact, it is more appropriate for the administration to decide what the state investment should be.

[12:42:27 PM](#)

MR. WILSON expressed his belief that if there is investment in major projects in the Railbelt "there is no reason we can't craft a joint benefit allocated out of that effort. The funds that are allocated, that are invested in that big ... Railbelt program would drive rates down in the Railbelt ... but there's a way to take the write-down of the cost per kilowatt hour and share that."

[12:43:37 PM](#)

CO-CHAIR EDGMON asked Mr. Wilson about his organization's opinion on the creation of a department of energy.

[12:43:56 PM](#)

MR. WILSON responded that his organization has not discussed this issue; however, it is clear the state has to be well-organized and well-staffed, and must also have legislative direction, to do the job. He said his personal preference was for a single, cabinet level, department working to keep energy issues "the priority."

[12:44:51 PM](#)

CO-CHAIR MILLETT expressed her interest in receiving a comprehensive report provided by the Alaska Ratepayers organization.

[12:45:12 PM](#)

MS. HIGGINS expressed her appreciation to the committee and to the stakeholders group. She said the Alaska Conservation Alliance (ACA) is very supportive of the bill, especially of the legislative intent language setting up the specific goals of energy efficiency, renewable energy production, and in-state gas supply. She related that her organization has stated that natural gas can be a "bridge fuel" into a renewable energy economy; however, the state energy plan should have much stronger language to prioritize energy efficiency. Energy efficiency is the cheapest and most cost effective way for the state to reduce its overall energy demand. Through an independent company, the Alaska Conservation Alliance will issue a report on how much energy efficiency Alaska can achieve. Ms. Higgins praised the second goal pertaining to renewable energy and said since Alaska has been a leader in oil and gas development, it should use all of its potential to become a leader in renewable energy technology for the benefit of rural and urban Alaska.

[12:47:32 PM](#)

CO-CHAIR MILLET acknowledged that progress may seem too slow for some of the stakeholders.

[12:48:03 PM](#)

CO-CHAIR EDGMON asked Ms. Higgins if her organization had developed efficiency conservation numbers that are higher than the goals in the bill.

MS. HIGGIN said not yet. She then clarified that her organization would like to see the numbers codified in legislation. In further response to Co-Chair Edgmon, she anticipated the ACA report on energy efficiency should be available before the beginning of the next legislative session.

[12:49:02 PM](#)

REPRESENTATIVE PETERSEN asked whether the mandates requiring a certain portion of energy generation by renewable sources, and by a certain date, should be in law.

MS. HIGGINS indicated yes. She suggested that the uncodified language goals could be in the energy policy, and then have the actual specific goals adopted in a state energy plan.

REPRESENTATIVE PETERSEN concurred.

12:50:12 PM

MS. KOHLER called the committee's attention to the previous testimony from residents of Mountain Village and Marshall. She informed the committee that since the 1980s, AVEC has had in its tariff a co-generation tariff based on the Public Utility Regulatory Policies Act of 1978 (PURPR). She remarked:

It's actually a mandate that energy that's co-generated by an end-user has to be purchased back by the utility at a rate to be determined by the utility but that has to be at least the avoided cost of the electricity being, being produced.... What we do is we limit the total amount of connected ... power that can flow onto the grid, and we have probably the most generous allowance of anywhere in the country, we will allow more than 5 percent off the connected load to be co-generated by another provider.... In Marshall, I think it's 10 kilowatts and in Mountain Village it's 22.5 kilowatts.

MS. KOHLER further explained that non-utility power will destabilize the grid and cause problems. In Shakoolik, a consumer is co-generating with wind power and AVEC pays avoided cost for excess power generated at more than \$.25 per kilowatt hour. She concluded that AVEC is very pro-active and participates with private development; in fact it owns five meteorological towers that have been installed to provide wind measurements.

12:52:59 PM

DAVID KARABELNIKOFF informed the committee he was a graduate student at the School for Renewable Energy Sciences (RES) in Iceland. He is working on his thesis on the integration of transportation into a renewable energy system, using St. Paul Island as an example. Mr. Karabelnikoff opined that lacking from the bill is not the clear statement of desire for what should happen, but there is no function mechanism of how it will happen. In comparison, European Union (EU) policies are based on who has the ability to pay; for example, countries with higher capital income should have higher renewable energy standards, or pay for renewable energy in other countries. This makes the EU standard system comprehensive with detailed analysis on how the mandates will be fiscally implemented. In Alaska, a similar mandate could be tied to a percentage of oil

revenue taxes, or be a budget item. Thus, petroleum exploitation would fund the future by investing in the renewable side of energy generation. Mr. Karabelnikoff said he did not see the instruments in place that would result in the standards that are set in the proposed policy. He asked whether the provisions regarding nuclear energy establish nuclear energy as renewable.

CO-CHAIR MILLETT explained that nuclear energy is being defined as alternative energy.

MR. KARABELNIKOFF asked whether the sources of energy were being looked at on an economic scale. He pointed out that there was not a distinction between renewable and alternative energy in the bill. Additionally, without a clear statement from the state on the definition of CO2 emissions, there is no way to weight these alternatives. In fact, the wording related to emissions levels and the measurement of emissions is ambiguous, and possibly in conflict with federal Environmental Protection Agency (EPA) regulations. Mr. Karabelnikoff suggested that the state be active in establishing guidelines, and not to lump alternative energy in with renewable energy. Referring to AVEC's co-generation policy, he opined 5 percent is low, especially when the percentage comes from renewables. He then described the energy utility system on St. Paul Island.

[1:00:34 PM](#)

REPRESENTATIVE PETERSEN assumed the speaker supported the idea of financial incentives to individuals for development of private renewable sources of energy.

MR. KARABELNIKOFF explained that a clear economic policy must go beyond simple avoided cost repayment for private energy generation. For example, avoided cost repayment in the Railbelt region runs about "2-3 cents a generation." In contrast, Europe has gone to fluctuating demand load curves; thus, a premium rate is paid during high demand, and when additional co-generation is not needed, it can be shut down. This flexibility allows the grid to remain stabilized and competitive rates are paid for the renewable power. He noted that he has been following Alaska's efforts regarding energy legislation from Iceland, "across the pole."

[1:02:56 PM](#)

MR. KENDALL offered his services to the committee. He encouraged the committee to hear details from all of the interested parties on this very important topic. In addition, the committee should take additional time, as much as 30 days, and televise its meetings, because the stakes are so high. This is not the time to continue to conduct business, or to communicate, "Stuck in old ways."

1:06:56 PM

CO-CHAIR EDGMON agreed that comprehensive energy legislation hearings could be held in Anchorage and Fairbanks during the session. Last session there were beneficial hearings in remote Western Alaska. However, he defended the composition of the stakeholders group and pointed out that anyone could testify during the hearing process. Lastly, Co-Chair Edgmon expressed his understanding that, at this time, profits are not being made from tidal and wave energy applications.

1:10:29 PM

MARVIN YODER informed the committee that he worked with Galena on its small nuclear power plant. Firstly, he commended the committee on the bill and expressed his appreciation for the sense of urgency. Secondly, he said the first priority was the need to diversify the economy, and meet timetables, by building short projects that can be done in the next decade. Mr. Yoder reminded the committee that hydro is expensive and long-term, and short-term projects are low cost and "sustainable." He thanked the committee for including provisions from HB 191 in the draft bill.

1:11:58 PM

REPRESENTATIVE JOHANSEN opined a structural change to move different areas of government under one house comes at a cost; however, the idea of a new department of energy idea has "buy-in, from Haines to Dillingham, all the way up to the North Slope." He expressed his hope that a decision will not be based on a minimal positive fiscal note. Even though the cost is not yet known, the cost is not "the proper way to analyze it." He then recalled that many of the challenges to connecting the hydro projects in Southeast were the demands of the environmental and conservation community that added millions of dollars, and a decade of delay onto the project. Representative Johansen encouraged an open and public dialogue on the intentions of the environmental community.

[1:15:32 PM](#)

CO-CHAIR MILLETT noted that because neither bill has been filed yet, there still is the opportunity to make changes. Members of the public can find information on the draft legislation at the committee link on the House Majority website. She said the commitment made by the stakeholders, the committee, and staff, "is none that I have ever seen before."

[1:18:41 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 1:18 p.m.