

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

January 26, 2010

3:05 p.m.

**MEMBERS PRESENT**

Representative Bryce Edgmon, Co-Chair  
Representative Charisse Millett, Co-Chair  
Representative Kyle Johansen  
Representative Pete Petersen  
Representative Chris Tuck

**MEMBERS ABSENT**

Representative Nancy Dahlstrom  
Representative Jay Ramras

**COMMITTEE CALENDAR**

HOUSE BILL NO. 305

"An Act relating to energy; relating to the board of directors of the Alaska Energy Authority; amending the size and composition of the board of directors of the Alaska Energy Authority by removing the members of the Alaska Industrial Development and Export Authority as directors of the Alaska Energy Authority and providing for designation or appointment of other members; amending the quorum requirement for the board of directors of the Alaska Energy Authority; and relating to nuclear waste material."

- HEARD AND HELD

HOUSE BILL NO. 306

"An Act declaring a state energy policy."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

No previous action to report

**WITNESS REGISTER**

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

**POSITION STATEMENT:** Participated in the presentation of a report titled, "Energy Policy for Alaska."

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

**POSITION STATEMENT:** Participated in the presentation of a report titled, "Energy Policy for Alaska."

JEFF TURNER, Staff  
Representative Charisse Millett  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Introduced HB 305 on behalf of the House Special Committee on Energy.

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

**POSITION STATEMENT:** Presented the sectional analysis of HB 306 on behalf of the House Special Committee on Energy.

#### **ACTION NARRATIVE**

[3:05:44 PM](#)

**CO-CHAIR BRYCE EDGMON** called the House Special Committee on Energy meeting to order at 3:05 p.m. Present at the call to order were Representatives Johansen, Tuck, Millett, and Edgmon. Representative Petersen arrived as the meeting was in progress.

[3:06:08 PM](#)

**HB 305-OMNIBUS ENERGY BILL**  
**HB 306-STATE ENERGY POLICY**

[3:06:12 PM](#)

CO-CHAIR EDGMON announced that the only order of business would be the introduction of HOUSE BILL NO. 305, "An Act relating to energy; relating to the board of directors of the Alaska Energy Authority; amending the size and composition of the board of directors of the Alaska Energy Authority by removing the members of the Alaska Industrial Development and Export Authority as directors of the Alaska Energy Authority and providing for designation or appointment of other members; amending the quorum

requirement for the board of directors of the Alaska Energy Authority; and relating to nuclear waste material," and HOUSE BILL NO. 306, "An Act declaring a state energy policy."

[3:06:13 PM](#)

CO-CHAIR MILLETT informed the committee that the purpose of the first bill heard today, HB 306, is to codify a state energy policy. Alaska is one of the few states that currently does not have a stated policy, or guidelines for developing energy strategies for energy independence. The bill was primarily written by the House Energy Stakeholders Group with participation by committee members, staff, and other legislators. She said, "It's a really great, great piece of work that they did," and anticipated the passage of the bill. House Bill 305, the omnibus bill, includes provisions from the best of nine bills proposed last session, plus additional language regarding public education and public facilities.

[3:08:29 PM](#)

CO-CHAIR MILLETT recalled the time the committee spent last year, and during the interim, travelling to 13 communities to hear from Alaskans. In fact, the committee held the first-ever legislative hearing during the Alaska Federation of Natives (AFN) annual meeting, and also held a hearing with the Alaska Municipal League (AML).

[3:09:42 PM](#)

CO-CHAIR EDGMON invited testimony pertaining to HB 306, the proposed state energy policy legislation.

[3:10:30 PM](#)

CHRIS ROSE, Executive Director, Renewable Energy Alaska Project (REAP), said he participated in the energy stakeholders group. Alaska does not have an energy policy that looks at "how Alaskans are going to get their energy." The bill is a holistic vision of how the state will develop energy resources for residential, commercial, and industrial uses, including the need for electricity, heating, and transportation. Mr. Rose said the bill contains the guiding principles that are needed to set goals, but not the actual goals or plans, for the implementation of projects. He noted the stakeholder group was diverse and included: Representatives Bryce Edgmon and Charisse 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, Institute for Social and Economic Research; Jason Brune, Resource Development Council for Alaska, Inc.; John Davies, Alaska Cold Climate Housing Research Center; Ralph Andersen, Bristol Bay Native Association; Bill Popp, Anchorage Economic Development Corporation; Bob Pawlowski and Denali Daniels, Denali Commission; Caitlin Higgins, Alaska Conservation Alliance; Stacy Schubert, Municipality of Anchorage; Marilyn Leland, Alaska Power Association; Meera Kohler, Alaska Village Electric Cooperative; Ron Miller, energy consultant; Chris Rose, REAP; and Kathy Wasserman, AML.

[3:12:36 PM](#)

BILL POPP, President & CEO, Anchorage Economic Development Corporation, said he was honored to be a part of the stakeholders group. The purpose and focus of this effort was to develop an energy policy as a foundation from which to establish goals, and also to design strategic initiatives from a policy, legislative, and spending point of view. He advised that adoption of this policy will align the efforts of state government and its political subdivisions with the efforts to spend and invest in the energy future of the state. The policy will also lead to the development of a comprehensive energy plan to achieve the strategic goals.

[3:14:12 PM](#)

MR. ROSE noted that the Railbelt Regional Integrated Resource Plan (RIRP) was used by the stakeholders group as an example. He acknowledged that the plan will need to recognize the geographical diversity of Alaska; at first, there may be regional plans from which will be developed programs and projects that will reach the set goals.

[3:14:58 PM](#)

MR. POPP continued to explain that the principles guiding the process accept that the future success of Alaska's economy is tied to available, reliable, and affordable energy for residential, commercial, and industrial users. Also, the worldwide supply and demand for fossil fuels, and concerns about climate change, will affect the price of fossil fuel in the future. Because of these factors, Alaska must become more diversified.

3:15:59 PM

MR. ROSE advised that the state must anticipate what is happening in the worldwide economy, and consider that the supply and demand of fossil fuels will drive prices up; therefore, energy efficiency is "super important." The stakeholders group was unanimous on the need to highlight energy efficiency in the legislation. Beyond that, the group wanted to encourage economic development by the promotion of renewable and non-renewable energy resources under a sustainable fiscal regime. The stakeholders group also included language in the bill to identify and assist with workforce development, technical assistance, and research and development for new energy sources. Finally, the last aspect in the bill is coordinating governmental functions to ensure that regulatory processes are streamlined and available to all residents and federal agencies.

3:18:18 PM

MR. POPP explained the starting point of the policy was the Tri-Borough Commission Energy Policy. This policy was initiated in October, 2007, by the Matanuska-Susitna Borough, the Municipality of Anchorage, and the Kenai Peninsula Borough, and was written by a task force of members representing utilities, renewable energy, industrial and commercial users, and the University of Alaska (UA). Through a consensus process, the task force adopted a document that was used by the energy stakeholders group as a starting point; in fact, 16 of its goals are incorporated in the proposed energy policy legislation. Although the Tri-Borough Commission Energy Policy is specific to the Southcentral region, the stakeholders group agreed that many of the principles in this policy could be applied statewide.

3:20:04 PM

MR. ROSE then described the process that led to the work done by the stakeholders group. The group met monthly beginning in July, 2009, through December, 2009. At one point, the document ballooned up to seven or eight pages of "pet goals"; however, the group decided to stick to the original purpose and write a set of guiding principles. Nevertheless, the following legislative intent remains in the bill: a 15 percent increase in energy efficiency on a per capita basis between 2010 and 2025; 50 percent electrical energy generation by renewable energy by 2025; work to ensure a reliable in-state gas supply; and using the power project loan fund as the main source of state assistance for energy projects.

3:22:24 PM

MR. POPP re-stated that the first step is to establish an overarching energy policy that brings into alignment all aspects of state government and its political subdivisions. The second step is to develop the strategic goals that flow from the policy. The third and final step is to adopt the plans to achieve the goals and implement programs and projects to ensure overall success for a secure energy future in Alaska.

3:24:01 PM

REPRESENTATIVE TUCK thanked the participants for their service and hard work.

3:24:30 PM

CO-CHAIR EDGMON stated that public testimony on HB 305 would begin at the next meeting on 1/28/10.

3:25:12 PM

JEFF TURNER, staff to Representative Charisse Millett, Alaska State Legislature, advised that HB 305 is the result of a year-long effort to determine how to meet the current and future energy needs of Alaskans. The committee held hearings in nine communities statewide and, on 10/23/09, held a first-ever hearing at an Alaska Federation of Natives (AFN) annual convention. The results of those hearings are HB 306, State Energy Policy, and HB 305, Omnibus Energy Bill. The following bills were incorporated into the omnibus energy bill: 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, Alternative Energy Revolving Loan Fund; HB 218, State Department of Energy, and HB 219, Renewable Energy Grant Requirements, sponsored by the House Special Committee on Energy; SB 31, 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 150, Emerging Energy Technology Fund, sponsored by Senator Lesil McGuire.

3:27:26 PM

MR. TURNER continued to explain that HB 305 is the framework of the omnibus energy bill that will be refined during the legislative session.

[3:27:47 PM](#)

ADAM BERG, staff to Representative Bryce Edgmon, Alaska State Legislature, presented the sectional analysis of HB 305. Section 1, a provision provided by the House Special Committee on Energy, requires the Department of Education and Early Development (EED) to assure energy efficiency in public and private schools that would meet or exceed requirements of the 2009 International Energy Conservation Code. Section 2, also provided by the committee, requires EED to review plans for construction of new schools to ensure energy efficiency, and to look at existing power sources in a community when determining new school sites. Section 3, a provision from HB 191, adds the term "facility" regarding permitting for nuclear materials. Mr. Berg noted the goal of this provision is to remove the express prohibitions related to the consideration of nuclear energy that are currently in state statute. Section 4 requires the legislature to act in the interest of regulating the economics of nuclear energy when locating a nuclear facility, and removes the requirement for approval from the governor. Sections 5 and 6 are conforming amendments related to HB 218, the department of energy bill. Section 7, a provision from HB 148, requires the Alaska Supreme Court to comply with the state energy use reduction plan. Section 8, a provision from SB 71, tasks the Department of Transportation & Public Facilities (DOT&PF) to review the option of using alternative energy when adopting plans and specifications for public works. Section 9, a provision from HB 148, requires an agency requesting an appropriation of over \$1,000,000 for capital improvements to submit an energy audit report, a proposal for energy efficiency improvements, and a cost-savings analysis. Section 10, a provision from HB 218, adds the board of directors of the Alaska Energy Authority (AEA) to the state's official list of boards or commissions. Section 11 moves the Alaska Natural Gas Development Authority (ANGDA) to the new department of energy from the Department of Revenue (DOR); Section 12 relates to the methodology used by AEA to weigh project proposals, and Section 13 requires AEA to hire an economist or analyst with experience in renewable energy to prepare written evaluations of each grant proposal. Mr. Berg advised that AEA will be available to the committee for an update on these requirements. Section 14, a provision of SB 150, creates the emerging energy technology fund that will be used to make grants or loans for research,

development, or demonstration projects designed to test new energy technologies, or methods of conserving energy to improve existing technologies, or to applied research projects that employ emerging technologies that are not commercially viable. Mr. Berg pointed out that HB 305 differs from SB 150 in the administration of the fund. Section 15 amends the definition of "power project" or "project" to allow nuclear energy production as it applies to projects in AS 42.45 covering rural and statewide energy programs. Section 16, a provision of SB 31, adds the renewable energy production tax credit as an exception to a tax credit limitation set for corporations. Section 17, also a provision from SB 31, establishes a renewable energy production tax credit as part of the Alaska Net Income Tax Act. He pointed out that "renewable energy" is defined on page 13, lines 8-9, of the bill. Section 18, a provision from HB 218, adds the department of energy to the list of state government offices and departments. Section 19, also from HB 218, establishes the department of energy, and within that department, creates the home energy conservation and weatherization program. Section 20, a provision from SB 121, tasks DOT&PF with updating the energy use index database and conducting energy audits of public facilities that are determined to have substantial energy inefficiency. Section 21, a provision from SB 121, requires DOT&PF to submit a report to the legislature summarizing the energy audits. Section 22 tasks DOT&PF with preparing and adopting a state energy use reduction plan, and entering into performance energy contracts.

[3:36:11 PM](#)

MR. BERG continued to explain that Section 23, a provision from HB 218, transfers AEA to the department of energy from the Department of Commerce, Community, & Economic Development (DCCED). Section 24 reconstitutes the membership of the AEA board of directors and removes the Alaska Industrial Development and Export Authority (AIDEA) members. As a result, the AEA board will include the commissioners of energy and revenue, and a commissioner and four public members appointed by the governor. Section 25 is a conforming statute for Section 24. Section 26, a provision from SB 121, directs AEA to establish an energy use index for public facilities that would measure baseline energy consumption data for all state-owned or controlled facilities. Section 27 adds "nuclear energy production" to the definition of "power project" or "project" as it applies to projects subject to the AEA. Section 28, a provision from HB 196, amends the alternative energy revolving loan fund by adding potential funding sources for the fund.

Section 29 assures that loans from the alternative energy revolving loan fund may only be made for projects located in Alaska. Section 30, a provision from HB 196, amends the loan terms of the alternative energy revolving loan fund. Section 31 amends the term "alternative energy system" to allow high efficiency wood pellet stoves. He directed attention to page 19, line 22, and the deletion of the word "wood." Section 32 amends the definition of "alternative energy system" in AS 46.11 by deleting the reference to "nuclear fuel" that is related to the financing of energy efficient homes and buildings. Section 33 is a repealer section, and Mr. Berg indicated copies of this section are provided in the committee packet. He explained the repealed provisions are related to the transportation of high level nuclear waste, the AHFC statute governing home energy conservation and weatherization, a sweep provision in the alternative energy revolving loan fund, previous alternative energy revolving loan fund interest rates, and the transfer or sale of mortgages and/or notes.

[3:39:56 PM](#)

MR. BERG stated that Section 34 repeals the renewable energy production tax credit on 1/1/25. Section 35 assures that any unused tax credits may not be carried forward on taxes after 12/31/25. Section 36 gives AEA six months from the effective date of this act to establish the energy use index database. Section 37 requires DOT&PF submit an energy performance report to the legislature no later than [1/31/11]. Section 38 set up the initial appointment of directors to the reconstituted AEA board. Mr. Berg closed by pointing out that the bill does not include any funding recommendations for programs or projects; however, the co-chairs intend "to work with the finance chairman on those recommendations when the time comes."

[3:41:54 PM](#)

CO-CHAIR EDGMON advised an omnibus bill often incorporates "all of the above;" however, there are many weighty energy-related topics, such as the Greater Railbelt Energy and Transmission Corporation (GRETC) bill, and several gas pipeline bills, that are not included. On the other hand, a variety of AHFC programs are appropriate and may be added to the legislation as it progresses through the committee process.

[3:43:31 PM](#)

CO-CHAIR MILLETT elaborated on two outstanding issues that are not addressed: GRETC and the in-state gas pipeline. She recalled that during the interim, the committee was in contact with six utilities in the Railbelt that were meeting to reach agreement on the GRETC bill. The utilities will be submitting their suggestions to the committee and, if acceptable, a CS will be offered. Co-Chair Millett reminded the committee that GRETC is a large, "stand-alone" piece of legislation that will not be incorporated into HB 305. Regarding the construction of an in-state natural gas pipeline and natural gas storage, she said tax credits for gas storage will fit into HB 305 after removing some limitations to the tax credits. She acknowledged that there are many projects underway for the Railbelt and expressed the co-chairs' intent to complete a comparative analysis, project by project, on the gas pipeline, the Chakachamna and Susitna hydro projects, the [Fire Island] wind farm, Mt. Spurr, Healy Clean Coal, and coal gasification. This analysis of the cost of power to residents, timelines, required investment by the state, and regulatory hurdles, will take place during a round table discussion.

[3:47:17 PM](#)

REPRESENTATIVE TUCK asked whether provisions from other bills will be added to HB 305 by amendments.

[3:47:47 PM](#)

CO-CHAIR EDGMON indicated yes. Some subjects are deserving of separate legislation, although the home energy rebate program, for example, could work well in the omnibus bill. He anticipated that there will be many hearings to undertake provisions from other bills and to learn from their sponsors and staff. In further response to Representative Tuck, he said the senate, the governor's office, and respective staff will continue to be heard, as they were during the past summer and fall.

[3:50:16 PM](#)

REPRESENTATIVE TUCK asked whether nuclear fuel was deleted as a definition for alternative energy.

[3:50:48 PM](#)

MR. BERG confirmed that the definition applies to AS 46.11, which is dealing with the conservation of energy and materials.

Again, the intention is to continue to review HB 191, and take out the spots where [nuclear energy] is expressly prohibited. In further response to Representative Tuck, he explained that in Alaska statutes, there are several areas where the option of nuclear energy is prohibited.

[3:52:24 PM](#)

REPRESENTATIVE TUCK asked whether there was a contradiction between the bill and the statutes.

[3:53:20 PM](#)

MR. BERG further explained that removing the language will allow nuclear energy to be considered as an alternative system.

[3:53:45 PM](#)

REPRESENTATIVE JOHANSEN praised the leadership of the co-chairs and the work of the committee staff for "the best process I've ever been through to get ... a piece of legislation on the table." He said he had no questions because discussion about the bill has gone on for months.

[3:55:15 PM](#)

REPRESENTATIVE PETERSEN agreed with Representative Johansen and added that everyone's opinions were heard. Obviously, HB 305 covers a wide area of topics and he expressed his hope that the remaining questions will be answered, and it will move, before time runs out.

[3:56:42 PM](#)

CO-CHAIR MILLETT thanked the committee for their participation in the interim road show. She stressed the importance of listening to Alaskans: not only did legislators gain knowledge, but also respect for the diversity of the state and its different regional energy issues.

[3:58:31 PM](#)

CO-CHAIR EDGMON reminded members of the public that the expectation is to return to the bills at the next meeting. As a rural legislator, he is pleased to see long- and short-term energy issues become a dominant theme throughout this session.

Co-Chair Edgmon announced that public testimony will be taken on 1/28/10.

[HB 305 and HB 306 were heard and held.]

[4:00:50 PM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 4:00 p.m.