

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ENERGY

February 11, 2010

3:22 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative Charisse Millett, Co-Chair
Representative Nancy Dahlstrom
Representative Kyle Johansen
Representative Jay Ramras
Representative Pete Petersen
Representative Chris Tuck

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Mike Chenault

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 & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 305

SHORT TITLE: OMNIBUS ENERGY BILL

SPONSOR(s): ENERGY

| | | |
|----------|-----|---------------------------------|
| 01/19/10 | (H) | READ THE FIRST TIME - REFERRALS |
| 01/19/10 | (H) | ENE, RES, FIN |
| 01/26/10 | (H) | ENE AT 3:00 PM BARNES 124 |
| 01/26/10 | (H) | Heard & Held |
| 01/26/10 | (H) | MINUTE(ENE) |
| 02/11/10 | (H) | ENE AT 3:00 PM BARNES 124 |

WITNESS REGISTER

RALPH ANDERSEN, CEO
Bristol Bay Native Association (BBNA); Co-Chair
Human Resources Committee
Alaska Federation of Natives (AFN); Chairman
Energy Working Group
Alaska Federation of Natives (AFN)
Dillingham, Alaska
POSITION STATEMENT: Testified in support of HB 305.

JULIE KITKA, President
Alaska Federation of Natives
Anchorage, Alaska
POSITION STATEMENT: Testified in support of HB 305.

LORETTA BULLARD, President
Kawerak, Inc.
Nome, Alaska
POSITION STATEMENT: Testified in support of HB 305.

JOE CHYTHLOOK, Chairman
Board of Directors
Bristol Bay Native Corporation (BBNC); Board Member
Alaska Federation of Natives (AFN)
Dillingham, Alaska
POSITION STATEMENT: Testified in support of HB 305.

THOMAS TILDEN, Representative
Curyung Tribe
Dillingham, Alaska
POSITION STATEMENT: Testified in support of HB 305.

ACTION NARRATIVE

[3:22:58 PM](#)

CO-CHAIR BRYCE EDGMON called the House Special Committee on Energy meeting to order at 3:22 p.m. Representatives Johansen, Petersen, Tuck, Dahlstrom, Ramras, Millett, and Edgmon were present at the call to order. Representative Chenault was also present.

[3:23:12 PM](#)

HB 305-OMNIBUS ENERGY BILL

[3:23:13 PM](#)

CO-CHAIR EDGMON announced that further testimony would be heard from representatives of the Alaska Federation of Natives (AFN) on 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."

[3:24:12 PM](#)

CO-CHAIR EDGMON thanked AFN for hosting a House Special Committee on Energy meeting at its convention in Anchorage. He then displayed a slide that summarized aspects of HB 305-Omnibus Energy Bill. Co-Chair Edgmon also announced the upcoming round table discussion scheduled for 2/18/10.

[3:26:59 PM](#)

CO-CHAIR MILLETT welcomed the representatives from AFN spoke of the value of the committee meeting held during the AFN convention. She told them "your voice is strong". She said the committee wanted their help with many issues, not just energy. She thanked Speaker Chenault for his support of the committee's travels during interim and session.

[3:28:15 PM](#)

REPRESENTATIVE CHENAULT stated the importance of traveling across the state to highlight the issue with energy. He expressed his hope that energy does not become a factor between rural and urban Alaska. Lastly, he thanked the communities that hosted the committee and the committee members for their hard work.

[3:29:38 PM](#)

RALPH ANDERSEN, CEO, Bristol Bay Native Association (BBNA); Co-Chair, Human Resources Committee, AFN; Chairman, Energy Working Group, AFN, thanked the committee for its visit to Dillingham and for the opportunity to testify. Mr. Andersen informed the committee that he served on the stakeholder group that worked on the bill last summer, and recalled that the co-chairs brought a diverse group together to work towards consensus on a draft energy bill. Mr. Andersen pointed out that the high cost of energy for electricity, gas, diesel, or home heating fuel has the biggest impact on the lives of everyone across the state. Although he was encouraged by the legislature's efforts to plan for the state, Alaska's future is tied to the availability of affordable energy resources throughout Alaska. His organizations support the fundamentals of a state energy policy that promotes affordable energy, energy efficiency, conservation, and the development of renewable and nonrenewable energy sources. The AFN also supports a policy that promotes economic development, energy research, education, and workforce development. Mr. Andersen stated that these policy goals will guide development and implementation of a successful energy plan. He supported the following steps: (1) declaring an energy policy; (2) establishing a department of energy;

(3) following an energy plan with clear, immediate short-, mid-, and long-term goals for programs and infrastructure, and that recognizes that assistance is needed for some; (4) following a clear schedule for the implementation of energy programs and projects. Regarding the nine bills included in HB 305, he offered the following comments: (1) energy efficiency standards for public buildings are needed; (2) revival of the alternative energy revolving loan fund is needed; (3) a state department of energy is crucial; (4) funding of the renewable energy grant fund is necessary; (5) renewable energy tax credits are a good idea; (6) an energy use index database is supported; (7) an emerging energy technology fund can benefit Alaskans. Furthermore, he expressed his support for the Senate companion omnibus bill that offers a possible solution to the economies of scale regarding fuel deliveries in rural Alaska, and for continued funding of Alaska Housing Finance Corporation's (AHFC) weatherization program. Finally, he encouraged the continued full funding of the Power Cost Equalization (PCE) program that makes a difference for families in rural Alaska. He gave a personal example of the benefit of PCE. Mr. Andersen concluded that HB 305 raises the hopes and expectations of rural communities that there may be a solution to the high cost of energy.

[3:40:17 PM](#)

JULIE KITKA, President, AFN, commended the committee for its work toward the omnibus energy bill. She opined affordable, clean, alternative, and renewable energy, as well as developing resources, is critically important to Alaska's communities. Furthermore, as an energy state, it is important that the residents of Alaska can heat their homes. This bill will address multiple aspects of the goals of clean and affordable energy and of upgrading the delivery systems in communities. Ms. Kitka explained that she is a commissioner in the Denali Commission and one of its first fundings was to bring bulk fuel storage in rural areas up to Environmental Protection Agency (EPA) and Coast Guard compliance. During that process, the Denali Commission concluded that it did not want diesel fuel to be the only option available, although it was the most affordable. She expressed her hope that the present technology will put access to other options within our reach. Ms. Kitka stressed that state investment in new technologies is investment in the future. In fact, investing in energy alternatives and ideas is building the future and is no different than building schools, hospitals, clinics, and technology infrastructure. She observed that energy "is life and death for our people in our communities," and for residents to choose between heat and food is unacceptable. She noted that the omnibus bill includes the various aspects of the aforementioned, and she encouraged the committee to go forward and invest sizable resources into the infrastructure of communities. Furthermore, affordable energy is the key to economic development and sustainable communities. She informed the committee that the AFN board consists of 37 members made up of the presidents or CEOs of the regional Alaska Native Claims Settlement Act (ANCSA) corporations, heads of the regional tribal consortiums, and 12

elected village representatives. AFN membership includes nearly 200 villages and is the largest umbrella organization in the Native community. Energy is one of AFN's top priorities; in fact, its energy working group is pledged to work with the House Special Committee on Energy.

3:45:33 PM

MR. ANDERSEN, in response to Co-Chair Edgmon, expressed his belief that the AFN energy working group is addressing two types of issues: policy issues such as legislation, and recommending changes in existing policy. One of its recommended changes was addressed by the Palin Administration, during the period of high fuel prices, by providing additional funds for family assistance and the early distribution of the Permanent Fund Dividend (PFD). Since the energy working group was formed, there are various projects occurring such as wind generation, and the development of alternative energy sources; in fact, the energy committee saw some of these projects during their visit. The work at the AFN level continues to be advocating for policy and at the regional level it is participating in policy development and recommendations, and the implementation of projects to bring down energy costs.

3:48:09 PM

MS. KITKA observed that AFN has also recognized its responsibility to contribute the country by modeling innovation. She has heard that the Pacific Northwest will need sources of energy from Alaska; thus, after taking care of the home front and communities, Alaska will need to contribute to the rest of the nation, particularly after the decline of oil from the Trans-Alaska Pipeline System (TAPS).

3:49:27 PM

CO-CHAIR EDGMON said that the bill purports to create two new funding sources: (1) a loan fund for emerging technologies; (2) smaller scale loan programs geared to individual, or household, renewable projects. He asked whether AFN has sources of federal funds that might be available to compliment the state programs.

3:50:20 PM

MS. KITKA offered to provide the committee with information on sources of federal funds. She suggested that the committee consider how Alaska can become a catalyst for private sector investment in energy development. For example, a private entity made contributing to the national dialog on how to create alternative energy resources for technology, a priority. In this way, the state can put in place incentives to attract private sector partnerships. Furthermore, resources put into the University of Alaska (UA) can put the university on the cutting edge of energy development for emerging

technologies. However, she cautioned that Alaska's villages and communities must be taken care of first.

[3:52:15 PM](#)

MR. ANDERSEN observed that the federal government has departments that have established, for the first time, tribal offices and Native American divisions within them; for example, the Department of Commerce (DOC) and the Department of Energy (DOE). The DOE offers tribal organizations competitive energy grants that were inspired by the current economic crisis; in fact, there are reservations in other states in dire need of assistance. Thus Alaska is competing with all of the tribal interests in other states. Mr. Andersen recalled that DOE representatives in Washington, D.C., are concerned about how Alaska, with all of its oil revenue, is contributing to improving the cost of living in Native villages.

[3:54:51 PM](#)

MS. KITKA pointed out that when state resources are offered as matching funds, more federal resources are attracted, particularly for innovative programs.

REPRESENTATIVE JOHANSEN reiterated that the AFN goal is for sustainable communities with economic development and activity, and the underlying "first step" is to take care of the energy problem.

[3:56:30 PM](#)

MS. KITKA said yes; for example, a business shipping fish from Bristol Bay cannot exist if energy costs are too high to run the cold storage.

REPRESENTATIVE JOHANSEN asked whether the cost of energy is the top limiting factor for AFN members.

[3:57:31 PM](#)

MS. KITKA explained that communities have multiple needs, such as access to good education and a health care system and clinics, but affordable energy is essential for survival.

REPRESENTATIVE RAMRAS asked for a corporeal example of the cost of electricity for Christmas lights, after the PCE calculation.

[3:59:16 PM](#)

MR. ANDERSEN responded that his normal electric bill is between \$250 and \$300 per month for a three bedroom house with PCE.

REPRESENTATIVE RAMRAS said his constituents pay over \$200 per month for electricity without PCE.

[4:00:00 PM](#)

CO-CHAIR EDGMON advised that in "small village Alaska" the cost doubles, or more, and has a cumulative effect.

MR. ANDERSEN noted that some villages are taking action independently; for example, Perryville has installed an array of ten wind generators. He opined a state energy department would help coordinate the efforts that are being made, and prevent state government from being "all over the place."

[4:03:19 PM](#)

REPRESENTATIVE RAMRAS has heard that placement of the Division of Agriculture in the Department of Natural Resources (DNR) is not a benefit, because the division is ignored. Therefore, the existence of a commissioner of energy does not ensure that specific needs are better met, even though the intention is excellent.

MS. KITKA recalled a visit by the Secretary of Energy and expects more opportunity for collaboration between the state and the federal government. Secretary Chu has created a climate of innovative ideas on the national level.

[4:05:08 PM](#)

CO-CHAIR MILLETT noticed innovation taking place in every community the committee visited last year. She saw the displacement of diesel fuel by energy generated by wind farms and high efficiency wood stoves; in fact, rural Alaska is doing a lot and should be supported by the coordination of government programs, such as the Denali Commission, the DOE, and the state.

REPRESENTATIVE TUCK added that the other needs of villages would be better served with the reduction in energy costs.

[4:07:20 PM](#)

REPRESENTATIVE RAMRAS asked what message AFN heard from state officials such as Steve Haagenson, Gene Therriault, and Joe Balash, who have been specifically tasked with urban and rural energy issues.

MS. KITKA said AFN has met with them in the past.

MR. ANDERSEN said that the governor's energy person was not present at today's AFN meeting.

[4:09:03 PM](#)

REPRESENTATIVE RAMRAS asked whether this was a missed opportunity.

4:09:27 PM

MS. KITKA said improving the legislation was an ongoing process.

CO-CHAIR EDGMON thanked Ms. Kitka and Mr. Andersen

MS. KITKA concluded that this a good time to make progress, particularly on the federal level.

4:10:34 PM

LORETTA BULLARD, President, Kawerak, Inc., informed the committee her organization is the regional tribal non-profit consortium for 16 communities in the Bering Straits region. She expressed Kawerak's welcome of HB 305, especially in view of the situation last winter when its members were paying from \$5 to \$8 per gallon for heating fuel. Furthermore, a number of businesses, public facilities, and offices without access to PCE, were paying in excess of \$1 per kWh of electricity. Ms. Bullard gave an example of the cost of utilities for commercial users. She encouraged the creation of a state clearing house to advise villages and residents on energy products and systems to prevent purchases of the wrong technology, and cautioned that mistakes are being made. She advised that the weatherization of homes is really needed; unfortunately, AHFC's program is not taken advantage of by those living in the Bush. For example, in Nome there are only one or two auditors, and there are 60 or 70 homes waiting to be audited. Also, the pre-audit, post-audit, forward funding of materials, and the shortage of contractors, are all barriers to the program at the village level. Her suggestion was to have a regional non-profit or housing authority do the audits, order the materials, and arrange for the labor to take the onus off of individuals. Responding to the question of what village residents are doing about the high cost of energy, she relayed that the Norton Sound Economic Development Corporation (NSEDCC) donated \$1 million to each village in its region, to assist with the development of alternative energy resources. A state or federal match to these funds would help get projects started that will offset the need for diesel fuel in villages.

4:16:05 PM

CO-CHAIR MILLETT asked whether the local housing authorities can accept funds from AHFC and hold the money until the work is done.

4:16:28 PM

MS. BULLARD assumed so; in fact, housing authorities have access to money in certain circumstances.

REPRESENTATIVE PETERSEN heard in previous testimony that some areas of the state have success with the weatherization program, and other

areas have little participation. He suggested that the committee get information from the successful areas and provide it to others.

MS. BULLARD opined the lack of energy auditors is a large part of the problem.

[4:17:51 PM](#)

CO-CHAIR EDGMON announced that AHFC will return to the committee after its regional analysis is completed, and provide a better understanding of the programs.

[4:18:39 PM](#)

MS. BULLARD encouraged the creation of a state energy plan that puts alternative energy, and the alleviation of Alaska's dependence on diesel fuel, at the forefront in the long term.

[4:19:45 PM](#)

JOE CHYTHLOOK, Chairman, Board of Directors, Bristol Bay Native Corporation (BBNC); board member, AFN, said after a long absence he has heard from village residents about problems that are not new. He told a story about Yup'ik elders. Mr. Chythlook opined that rural villages have similar problems when it comes to energy, and he is hoping that those who do not live in the Bush will understand the extent to which energy costs have risen. He recalled that gasoline cost \$.32 to \$.40 cents per gallon in 1964. Now, diesel costs close to \$4 per gallon and in Dillingham it costs \$6 per gallon. Mr. Chythlook recently retired from the Alaska Department of Fish & Game (ADFG), and he said he would be hard pressed to survive on his retirement during the winter.

[4:25:07 PM](#)

MR. CHYTHLOOK explained that energy issues in Alaska are fractured and even in Bristol Bay there is not an area wide system; in fact, at a village 17 miles west of Dillingham, the cost of electricity is double the cost in Dillingham. A significant problem is that fuel is delivered twice per year and the price is set at the delivery, although fuel prices may go down during the months that follow. Mr. Chythlook assured the committee that organizations in Bristol Bay are planning to address energy and economic problems. He expressed his hope that the bill will be successful for the residents that do not live on the road system.

[4:30:17 PM](#)

REPRESENTATIVE RAMRAS recalled that Denali Bio-Diesel, a company that converts fish parts to gasoline, targeted the Dillingham community for a pilot program. He asked how many people lived in Dillingham and the surrounding area.

MR. CHYTHLOOK estimated that 4,500 people are BBNC shareholders in the Dillingham area and the shareholder base is 8,400 people. He agreed with Mr. Andersen that during shareholder meetings the main topic of discussion for the last several years has been energy. Throughout Western Alaska only diesel fuel is available for heating.

[4:41:00 PM](#)

THOMAS TILDEN, Representative, Curyung Tribe, thanked the committee for visiting Dillingham and putting testimony from Dillingham residents into action. He encouraged the committee to move the bill forward. He informed the committee that his tribe takes energy very seriously and has formed a committee that is putting energy efficiency tips in the newspapers to educate residents. Mr. Tilden stressed the need for all public facilities to be energy efficient, in addition to schools. Another matter in Western Alaska is the need to address the transport and delivery companies to find the reason behind the difference in transportation costs. He heard that deliveries to water locations can be cheaper due to the regulations that drive up the cost for deliveries on land.

[4:47:52 PM](#)

CO-CHAIR EDGMON thanked the participants and requested written comments.

[4:48:20 PM](#)

[Although not formally announced, HB 305 was held.]

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 4:48 p.m.