

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

March 12, 2010

1:04 p.m.

**MEMBERS PRESENT**

Representative Craig Johnson, Co-Chair  
Representative Mark Neuman, Co-Chair  
Representative Bryce Edgmon  
Representative Kurt Olson  
Representative Paul Seaton  
Representative Peggy Wilson  
Representative David Guttenberg  
Representative Scott Kawasaki  
Representative Chris Tuck

**MEMBERS ABSENT**

All members present

**OTHER LEGISLATORS PRESENT**

Representative Mike Chenault

**COMMITTEE CALENDAR**

HOUSE BILL NO. 280

"An Act relating to natural gas; relating to a gas storage facility; relating to the Regulatory Commission of Alaska; relating to the participation by the attorney general in a matter involving the approval of a rate or a gas supply contract; relating to an income tax credit for a gas storage facility; relating to oil and gas production tax credits; relating to the powers and duties of the Alaska Oil and Gas Conservation Commission; relating to production tax credits for certain losses and expenditures, including exploration expenditures; relating to the powers and duties of the director of the division of lands and to lease fees for the storage of gas on state land; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 306

"An Act declaring a state energy policy."

- MOVED CSHB 306(RES) OUT OF COMMITTEE

HOUSE BILL NO. 229

"An Act amending and extending the exploration and development incentive tax credit under the Alaska Net Income Tax Act for operators and working interest owners directly engaged in the exploration for and development of gas for delivery and sale from a lease or property in the state; providing for an effective date by amending the effective date for sec. 2, ch. 61, SLA 2003; and providing for an effective date."

- BILL HEARING CANCELED

**PREVIOUS COMMITTEE ACTION**

BILL: HB 280

SHORT TITLE: NATURAL GAS

SPONSOR(s): REPRESENTATIVE(s) HAWKER, CHENAULT

01/15/10	(H)	PREFILE RELEASED 1/15/10
01/19/10	(H)	READ THE FIRST TIME - REFERRALS
01/19/10	(H)	L&C, RES, FIN
02/08/10	(H)	L&C AT 3:15 PM BARNES 124
02/08/10	(H)	Heard & Held
02/08/10	(H)	MINUTE(L&C)
02/15/10	(H)	L&C AT 3:15 PM BARNES 124
02/15/10	(H)	Moved CSHB 280(L&C) Out of Committee
02/15/10	(H)	MINUTE(L&C)
02/17/10	(H)	L&C RPT CS(L&C) NT 4DP 2NR 1AM
02/17/10	(H)	DP: LYNN, NEUMAN, CHENAULT, OLSON
02/17/10	(H)	NR: HOLMES, T.WILSON
02/17/10	(H)	AM: BUCH
02/19/10	(H)	RES AT 1:00 PM BARNES 124
02/19/10	(H)	-- MEETING CANCELED --
02/26/10	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
02/26/10	(H)	<Bill Hearing Canceled>
03/12/10	(H)	RES AT 1:00 PM BARNES 124

BILL: HB 306

SHORT TITLE: STATE ENERGY POLICY

SPONSOR(s): ENERGY

01/19/10	(H)	READ THE FIRST TIME - REFERRALS
01/19/10	(H)	ENE, RES
01/26/10	(H)	ENE AT 3:00 PM BARNES 124
01/26/10	(H)	Heard & Held
01/26/10	(H)	MINUTE(ENE)
01/28/10	(H)	ENE AT 3:00 PM BARNES 124

01/28/10	(H)	Heard & Held
01/28/10	(H)	MINUTE(ENE)
02/02/10	(H)	ENE AT 3:00 PM BARNES 124
02/02/10	(H)	Moved CSHB 306(ENE) Out of Committee
02/02/10	(H)	MINUTE(ENE)
02/05/10	(H)	ENE RPT CS(ENE) 7DP
02/05/10	(H)	DP: RAMRAS, DAHLSTROM, PETERSEN, TUCK, JOHANSEN, EDGMON, MILLETT
03/08/10	(H)	RES AT 1:00 PM BARNES 124
03/08/10	(H)	Heard & Held
03/08/10	(H)	MINUTE(RES)
03/12/10	(H)	RES AT 1:00 PM BARNES 124

**WITNESS REGISTER**

REPRESENTATIVE MIKE HAWKER  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Introduced HB 280 as the joint prime sponsor.

LARRY PERSILY, Staff  
Representative Mike Hawker  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** During the hearing on HB 280, answered questions and provided information.

REPRESENTATIVE CHARISSE MILLETT  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Discussed HB 306 on behalf of the House Special Committee on Energy, sponsor.

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

**POSITION STATEMENT:** During the hearing on HB 306, provided a PowerPoint presentation about the bill.

CAITLIN HIGGINS, Executive Director  
Alaska Conservation Alliance and Alaska Conservation Voters  
Anchorage, Alaska

**POSITION STATEMENT:** Supported HB 306.

**ACTION NARRATIVE**

[1:04:52 PM](#)

**CO-CHAIR CRAIG JOHNSON** called the House Resources Standing Committee meeting to order at 1:04 p.m. Representatives Seaton, Tuck, Kawasaki, Edgmon, Olson, P. Wilson, Neuman, and Johnson were present at the call to order. Representative Guttenberg arrived as the meeting was in progress.

**HB 280-NATURAL GAS**

[1:05:47 PM](#)

CO-CHAIR JOHNSON announced that the first order of business is HOUSE BILL NO. 280, "An Act relating to natural gas; relating to a gas storage facility; relating to the Regulatory Commission of Alaska; relating to the participation by the attorney general in a matter involving the approval of a rate or a gas supply contract; relating to an income tax credit for a gas storage facility; relating to oil and gas production tax credits; relating to the powers and duties of the Alaska Oil and Gas Conservation Commission; relating to production tax credits for certain losses and expenditures, including exploration expenditures; relating to the powers and duties of the director of the division of lands and to lease fees for the storage of gas on state land; and providing for an effective date." [Before the committee was CSHB 280(L&C).]

[1:06:13 PM](#)

CO-CHAIR NEUMAN moved to adopt the proposed committee substitute (CS) for HB 280, Version 26-LS1185\C, Bullock, 3/9/10, as a work draft. There being no objection, Version C was before the committee.

REPRESENTATIVE SEATON objected for purposes of learning what the changes are.

[1:07:20 PM](#)

REPRESENTATIVE MIKE HAWKER, Alaska State Legislature, joint prime sponsor of HB 280, directed attention to the one-page written explanation of the differences between Version C and CSHB 280(L&C). In response to Co-Chair Johnson, he said HB 280 is intended to help bring back the vitality of the Cook Inlet basin and increase gas production to meet the needs of Southcentral Alaska, Anchorage, and the Railbelt. He introduced

his staff members that worked on this bill - Larry Persily, Janice Levy, and Juli Lucky - and noted that consultants Dan Dickinson and Roger Marks also assisted with the bill.

[1:11:15 PM](#)

REPRESENTATIVE HAWKER explained that HB 280 is a response to the challenge of keeping the lights and heat on in his community during the winter. Gas supply in the Cook Inlet basin is depleting and there is a real probability of being unable to meet peak winter demands in a very short period of time. He said the first issue is recognizing there is a problem and solving it. In solving the problem, HB 280 would also provide consumer cost relief. The bill has statewide application in that it would provide the same advantages to the Fairbanks area as it would the Cook Inlet because gas storage will also be a necessity for Fairbanks, regardless of the city's source of gas. Storage was unnecessary when Cook Inlet gas was abundant, but that is no longer the case and storage is now needed to keep enough gas on hand to meet the peak winter demand.

[1:13:37 PM](#)

REPRESENTATIVE HAWKER related that on February 15, 2010, the United Kingdom government approved construction of a \$1 billion, 50 billion cubic foot natural gas storage facility. That facility is aimed at correcting years of government and market failure to build enough backup capacity to keep pace with demand and to fill unexpected supply disruptions. He said HB 280 would do the same for Alaska, but rather than a government-invested solution, it would be a free-market approach to developing the storage that is needed to provide energy security.

[1:14:52 PM](#)

REPRESENTATIVE HAWKER noted that every stakeholder in Cook Inlet, from the municipalities to the utilities, has publicly stated that storage is essential to the future energy infrastructure. Storage will add an additional cost to the supply chain of gas, resulting in an upward pressure on consumer prices. An important part of HB 280 is that it would lessen those costs to consumers.

REPRESENTATIVE HAWKER said HB 280 would also address the need for regulatory certainty because, at this moment, regulatory uncertainty is impeding the development and progress on any storage projects. The Regulatory Commission of Alaska (RCA)

recently sent a message to the legislature asking for clarification of its regulatory responsibility with regard to gas storage activities in Alaska, and HB 280 would answer that.

[1:16:25 PM](#)

REPRESENTATIVE HAWKER, in response to Co-Chair Johnson, began a review of the changes that would be made by Version C. He said changes to Section 2 are changes around the parameters of what type of facility would qualify for the incentive tax credit for the development. Version C would tighten this up and "right size" the bill to mitigate any potential gaming. He noted that gas can be stored in pipelines, called packing; Version C changes Section 2 so that pipeline packing is eliminated from being considered storage. Changes to Section 8 clarify the boundaries and facilities of a gas storage facility that would be subject to regulation by the RCA. It specifies that RCA regulation extends only to gas storage facilities operated exclusively or primarily for delivery of gas to consumers and not to the world market.

[1:18:35 PM](#)

REPRESENTATIVE SEATON understood that Version C would not extend RCA regulation. He asked whether the credit would be extended.

REPRESENTATIVE HAWKER responded no, the credit was not extended in the first version and is not extended in Version C.

REPRESENTATIVE SEATON presumed it would be underground storage that is covered by Version C. He inquired whether tank storage would also qualify.

REPRESENTATIVE HAWKER replied that Version C provides requirements for both physical size and deliverability. Realistically, it would be underground storage because to qualify an aboveground tank would have to accommodate 100 million cubic feet annual injection or withdrawal and be large enough to hold 500 million cubic feet of gas.

[1:20:02 PM](#)

REPRESENTATIVE TUCK asked whether the RCA would have authority over new proprietary gas storage that is not necessarily third party.

REPRESENTATIVE HAWKER answered Version C goes strictly to providing third-party storage of gas for delivery to consumers. At the moment, it is unclear as to the extent the RCA may wish to apply that regulatory authority beyond the clearly stated responsibility in the bill.

REPRESENTATIVE HAWKER continued his discussion of the changes. In Sections 10, 17, and 19, Version C changes the transferable tax credit to a refundable tax credit. This change was at the request of the Department of Revenue to ease the accounting and management activities that would be involved in monitoring the credits. He said Section 10 relates to "right-sizing" the bill by cutting in half the maximum tax credit available for a gas storage facility.

[1:21:43 PM](#)

REPRESENTATIVE SEATON inquired whether the refundable tax credits would be limited to gas storage credits or would apply to both oil and gas credits.

REPRESENTATIVE HAWKER responded that Version C makes no changes to the transferable or refundable nature of any existing credits in statute. It would apply only to the development credit for gas storage facilities that originate in HB 280.

REPRESENTATIVE SEATON removed his objection to Version C. There being no further objection, Version C was before the committee.

REPRESENTATIVE HAWKER reiterated that Version C addresses the RCA request for clarification of its responsibility to regulate storage facilities, and it clarifies what would be allowable from the standpoint of inventory management within a contemplated storage facility.

[1:23:08 PM](#)

CO-CHAIR NEUMAN asked whether HB 280 relates just to Cook Inlet and whether the sponsor statement still applies to Version C given the changes that have been made.

REPRESENTATIVE HAWKER replied the provisions related to investment tax credits for the development of storage would be applicable statewide. The bill was brought forward because of the immediate, impending problem within the Cook Inlet basin that is the result of the production decline inside that area. Motivation for the bill came while he was flying over the Kenai

Peninsula and saw shuttered buildings where once stood a vibrant economic zone. The underlying business conducted there - oil and gas development in Cook Inlet - is the foundation for the entire energy security of Southcentral Alaska. This decline in productivity in Cook Inlet is putting the Southcentral region at risk of an impending winter disaster when there is not enough gas to keep the lights, heat, and electricity on.

REPRESENTATIVE EDGMON observed that this is a statewide issue in that rural Alaska is also very much dependent upon inexpensive, or at least stable, fuel costs in the Southcentral region; it is a symbiotic relationship. Work is continuing to get stable fuel to Bush Alaska as well.

[1:26:54 PM](#)

CO-CHAIR NEUMAN noted that in Prudhoe Bay the natural gas liquids (NGLs) are re-injected into the well to make it easier to pump the oil. He inquired whether the intent is to consider that as gas storage and include that process in HB 280.

REPRESENTATIVE HAWKER answered no.

CO-CHAIR JOHNSON understood Cook Inlet gas is a much drier gas.

REPRESENTATIVE SEATON noted that gas is sold to North Slope entities in addition to re-injection in the Prudhoe Bay fields. He asked whether this could be considered a gas storage field, given that he believes over 100 million cubic feet of gas per year is being sold.

REPRESENTATIVE HAWKER responded the practical answer is no because those are active wells, not storage wells or storage leases. The bill would require certification of gas storage facility capacity by the Alaska Oil and Gas Conservation Commission (AOGCC), and it is very clearly not the intent to take an operating well and somehow be able to call it a storage facility.

[1:29:27 PM](#)

REPRESENTATIVE HAWKER resumed highlighting the provisions of HB 280, Version C. He said the bill would provide clarification to potential owners and developers of storage facilities about the difference between storing gas and producing gas. When gas is produced, royalty and production taxes must be paid. Storing gas is an inventorying activity and the bill would offer an

investment tax credit for qualified storage facilities. The Department of Revenue, the Department of Natural Resources, and others participated in developing the bill to ensure tight definitions that prevent gaming. The bill would provide the regulatory certainty that is being asked for by saying that RCA regulates gas storage.

REPRESENTATIVE HAWKER said HB 280 would specifically require Last In, First Out (LIFO) accounting of the gas inventory - the last gas pumped into the facility is the first gas pumped out by volumetric measurement. These underground pressure vessels are former gas production facilities and leases that may already have recoverable gas in them, but that gas would be used as the cushion gas or the spring to push the injected gas back out. It would be considered production if more gas is taken out than is put in, and taxes would then have to be paid.

[1:31:51 PM](#)

REPRESENTATIVE HAWKER pointed out that just the ability to store gas is not enough to solve the impending problem. More gas is needed as well. Therefore, HB 280 would encourage additional exploration through provisions that make Cook Inlet investment more attractive to both new producers and existing stakeholders in the inlet. Current production is out of five major gas domes, but now it is at the point of where the geology amounts to chasing small bubbles of gas in a three-dimensional space. The bill would encourage new exploration by expanding some access to existing tax credits through the crossing of limitation borders and minimally enhancing some of those credits. He emphasized that in HB 280 these issues are addressed only for the Cook Inlet; other bills are currently in the legislature that would apply the same provisions to the entire state. He said he did not want to touch the North Slope in this regard because it is too sensitive of an issue; he is looking to build legislative alignment and support for the immediate issues within the Cook Inlet.

[1:34:27 PM](#)

REPRESENTATIVE HAWKER concluded by stating that HB 280 is a very simple bill that would provide gas to keep on the lights and heat during cold winter days in Anchorage. The bill would also protect consumers by mitigating the inevitable cost increases resulting from the development of storage facilities. The bill would answer a current unknown by imposing regulation on the emerging energy storage industry. Further, HB 280 would provide

operating clarity for the developers of the emerging energy storage industry so they clearly know the difference between gas storage and gas production.

[1:36:01 PM](#)

CO-CHAIR NEUMAN inquired whether any work is ongoing to renew the "Nikiski export facility". He surmised a storage facility would benefit this export facility.

REPRESENTATIVE HAWKER replied that through this point in time, the ability to export Cook Inlet gas is exactly what has made the Cook Inlet gas economy and process work. He explained that gas wells operate best by keeping production at a fairly stable level. However, consumer demand is not stable and varies radically between the colder winter days and warmer summer days, and on those low demand days something must be done with the surplus gas. Since the mid-1960s, the export facility has taken that surplus on low demand days and exported it. Likewise, there was a time when production levels were so high that the surplus was also taken by the "Agrium plant". Closure of the Agrium plant was the first casualty of Cook Inlet's declining gas production. There is now risk that the export facility will be lost through not being re-licensed for export. If that occurred today, it would force underproduction of the existing wells and there would not be enough gas produced to meet consumer demand on winter days. He noted that time is drawing short to protect the people of Southcentral Alaska because the current export license expires on March 31, 2011.

[1:40:20 PM](#)

REPRESENTATIVE SEATON observed that the reason for the tax credit is to keep consumer prices low. However, producers have stated over the past that the price is so low the value is not there to engage in exploration and development in the Cook Inlet. He asked whether trying to keep consumer prices low defeats the initiative for exploration and development.

REPRESENTATIVE HAWKER answered there are two issues. The issue of storage is the mission-critical component of ensuring there is enough gas available for delivery on peak-demand days. The bill would require that every penny of the investment tax credit for storage capacity development be passed on to the consumer, and this provision is why HB 280 is a bill to minimize consumers' exposure to the necessarily increasing costs. In exchange for this benefit to consumers, the bill would provide

regulatory certainty on how to operate storage that does not currently exist, as regulatory uncertainty is impeding development of storage. Encouraging exploration and production of the stratigraphic gas traps in Cook Inlet is an entirely separate matter than the consumer-oriented storage facilities. He reiterated that both storage and exploration need to be encouraged. The State of Alaska currently requires amortization of exploration incentive credits over a period of two years; HB 280 would drop that to one year, which would improve a company's cash flow and make Alaska more competitive with the rest of the world.

[1:44:34 PM](#)

REPRESENTATIVE SEATON inquired whether HB 280 would allow a producer to use its Cook Inlet credits to offset its North Slope production instead of having to reinvest in Cook Inlet. He noted that when production taxes were designed they were specifically set apart because the Cook Inlet tax regime is so different at basically no tax.

REPRESENTATIVE HAWKER, to provide an understanding of the question asked, explained that when production taxes were changed on a statewide basis in previous legislative sessions, the Cook Inlet was ring-fenced and allowed to operate under the rules of the previous economic limit factor (ELF) rather than going to the profit-sharing taxes. This kept the production taxes in Cook Inlet from going up. Beneficial credits were added for exploration and development in the profit-sharing tax bills. It was recognized that a company operating in both the Cook Inlet and other parts of the state could take an investment credit based in Cook Inlet, where its taxes were lower already, and file a single tax return on a statewide basis that used those credits to offset higher taxes in the other regions. For purposes of utilizing tax credits, the original bill said that a company generating a tax credit in the Cook Inlet must first figure out what its taxes would have been in the Cook Inlet without the ring-fencing under ELF and then discount its tax credit by the amount it would have had to use to offset the differential between the production tax under the profit-sharing method and the lower taxes in the Cook Inlet.

[1:47:01 PM](#)

REPRESENTATIVE HAWKER said his own take is that production needs to be encouraged all across the state; however, in Cook Inlet it is critical that production be increased. While he appreciates

the argument that companies are not paying as much tax in Cook Inlet and so should not be allowed to utilize the credits, that is telling people not to bother with the Cook Inlet and to instead invest where there are higher tax credits. He said he thinks that may have had unintended detrimental consequences in discouraging investment in the Cook Inlet. The single thing most needed from investment in the state is additional exploration and production. He said he therefore thinks it is appropriate to bring forward a change and a compromise of the limitation that was provided for in the earlier legislation.

1:49:05 PM

REPRESENTATIVE HAWKER, in response to Representative Guttenberg, explained that HB 280 contains a tax recovery provision, meaning that if a credit is received for starting a gas storage facility and then that facility ceases operation, the state will receive the credit back from the operator. The notice provision in HB 280 means the operator has the affirmative responsibility to tell the state if it ceases to comply with that requirement and that it triggers recapture of the credit the operator has been given. So, the notice requirement means an operator cannot suddenly stop operations and hope the state does not catch it.

1:51:35 PM

REPRESENTATIVE GUTTENBERG asked what would happen if an operator failed to meet the bill's requirement to cycle [100 million cubic feet of gas per year] for reasons beyond the operator's control.

REPRESENTATIVE HAWKER deferred to Larry Persily.

LARRY PERSILY, Staff, Representative Mike Hawker, Alaska State Legislature, responded that the sponsors tried to set a limit by requiring that a facility be in operation in return for receiving the incentives and certainty provided by HB 280. The sponsors did not want to take the chance that someone could take an old depleted reservoir with a well, claim storage, take a credit, and then not do much with it. The 100 million cubic feet is an arbitrary number and a pretty low threshold, given that a couple of existing storage operations proprietary right now in Cook Inlet have capacity for 1 billion or 5-6 billion cubic feet. He therefore cannot conceive that someone could say the reason for not operating is because of a warm winter. The sponsors tried to pick a number that is reasonable but not so high that ceased operations would be declared when they really

have not. Should an operation cease, the state would pro-rate and take back the credit.

[1:53:52 PM](#)

REPRESENTATIVE HAWKER allowed that Representative Guttenberg may have brought up a point that is not actually addressed by the bill, which is the possibility of something like a natural event that is beyond the control of the owner/operator of the storage facility. The bill, as written, may not provide a safety valve that would allow the commissioner to overlook a violation of the statute. He said that is something to take a look at.

REPRESENTATIVE GUTTENBERG suggested this could be put into the regulations because HB 280 gives the director a lot of leeway.

[1:54:47 PM](#)

REPRESENTATIVE GUTTENBERG requested Representative Hawker to expand on the provisions of Section 20, Version C.

REPRESENTATIVE HAWKER replied many folks would argue that Cook Inlet is over-regulated and that the Regulatory Commission of Alaska has made decisions that were not of benefit to the community and may have exacerbated the problems. As a result of having no clear guidance, the RCA did not approve some contracts for long-term gas supply, and had those contracts been approved, industry would be scrambling hard today to bring gas up. The sponsors of HB 280 are trying to include some tooth that says the regulatory authorities should be encouraged to approve long-term supply contracts without trying to set any empirical measure by which to tell them to do it. For example, Mr. Pickett of the RCA has pointed out that there is nothing telling the RCA that it must consider what would happen if it does not approve a contract. Section 20 and Section 5, Version C, add this new philosophic guidance that the RCA must consider the consequences of saying no.

[1:58:37 PM](#)

REPRESENTATIVE TUCK understood HB 280 has two parts: one that would pave the way for third party storage and the other to incentivize exploration in the Cook Inlet region. He inquired whether there is the potential that third party storage may not be necessary should HB 280 be passed and exploration is incentivized, but the LNG export license is not renewed.

REPRESENTATIVE HAWKER answered there is unanimous concurrence among the stakeholders in the inlet that storage is an absolute necessity, even if LNG export stops. Gas will still be needed to meet those peak requirements and to do that there needs to be increased capacity to pull gas out of the ground, which takes storage. If the export facility continues to operate, a buffer of gas storage will still be needed for those days of excess gas production and days of insufficient gas production.

[2:00:43 PM](#)

CO-CHAIR JOHNSON held over HB 280. He noted that this is a key issue for his community, so the committee will be returning to the bill as quickly as possible.

### **HB 306-STATE ENERGY POLICY**

[2:01:41 PM](#)

CO-CHAIR JOHNSON announced that the next order of business is HOUSE BILL NO. 306, "An Act declaring a state energy policy." [Before the committee was CSHB 306(ENE).]

[2:03:25 PM](#)

REPRESENTATIVE EDGMON noted that he and Representative Millett provided the history behind HB 306 on [3/8/10] and today's presentation will provide details of the bill itself.

REPRESENTATIVE CHARISSE MILLETT, Alaska State Legislature, pointed out that the policy was drafted by both the resource development/consumer side and the conservation/environmental side.

[2:04:44 PM](#)

CHRIS ROSE, Executive Director, Renewable Energy Alaska Project (REAP), began his PowerPoint presentation by noting that he was one of 15 stakeholders working with the House Special Committee on Energy from July through December 2009 to develop this state energy policy. To show the diversity of the people working on this issue, he listed the other members of the Stakeholder Advisory Panel [slide 2]: Gwen Holdman, Alaska Center for Energy & Power; Robert Venables, Southeast Conference; Scott Goldsmith, Institute of Social and Economic Research (ISER); Jason Brune, Resource Development Council, John Davies, Alaska Cold Climate Housing Research Center; Ralph Andersen, Bristol

Bay Native Association; Bill Popp, Anchorage Economic Development Corporation (AEDC); Bob Pawlowski and Denali Daniels, Denali Commission; Caitlin Higgins, Alaska Conservation Alliance; Stacy Shubert, Municipality of Anchorage; Marilyn Leland, Alaska Power Authority; Meera Kohler, Alaska Village Electric Cooperative; Ron Miller, Energy Consultant; [and Kathy Wasserman, Alaska Municipal League (AMA)].

[2:06:24 PM](#)

MR. ROSE pointed out that most states have an energy policy, but Alaska does not [slide 3]. An energy policy is important for setting guidelines and sidebars on what goals Alaska wants to have for energy. The policy, as written, starts out with legislative intent language which is essentially five of the goals that the group decided, by consensus, could be included. The goals would be up to the legislature to promulgate. A part of the goals is recognizing that Alaska must first have a policy that sets a long-term vision to address its energy needs. The bill is also an attempt to align that policy with all the different units of government so that all of the units of government in the State of Alaska are working toward the same end. After the goals are set up, plans and projects can be implemented to reach those goals.

MR. ROSE emphasized the hierarchy of what the stakeholder group saw as important [slide 4]. First is to establish an energy policy, second is to develop the strategic goals, third is to create the plan to achieve the goals, and fourth is to implement the projects. He noted there are currently a number of organizations and regions in the state that are all crafting energy plans. However, that planning is without the benefit of a statewide vision and HB 306 is the attempt to provide that statewide vision for everyone to work toward.

[2:08:09 PM](#)

MR. ROSE said the guiding principle of the process the Stakeholder Advisory Panel worked on was that energy is the lifeblood of any economy - without energy security there is no economic security [slide 5]. The stakeholder group wanted to talk about energy as it applied to residential, commercial, and industrial users. Whether this should apply beyond electricity and heat to include transportation was discussed, and transportation is something the legislature may decide to include. The group also wanted a statement in the policy that anticipates what the group believes will be future reality.

Some of that reality is that fossil fuel prices will continue to trend upward due to supply and demand and because there may be some kind of carbon regulation that will make it more expensive to use fossil fuels in the future. The group wanted to ensure this is taken into consideration as energy decisions are made and the state moves forward.

MR. ROSE explained the starting point of this statewide policy was an energy policy that was put together by the Tri-Borough Commission, a commission established a few years ago by the mayors of the Kenai Peninsula and Matanuska-Susitna boroughs and the Municipality of Anchorage [slide 6]. Mr. Popp of AEDC staffed that effort for which the strategy included developing a policy first, and which is the same thing that is being said now for the state policy. When the effort with the House Special Committee on Energy was started last summer, the decision was made to not reinvent the wheel and to use elements of the Tri-Borough Commission energy policy as the starting point.

[2:10:58 PM](#)

MR. ROSE stated that the fundamentals of the policy in HB 306, pages 2-3, Section 44.99.115, are to institute a comprehensive and coordinated approach of supporting energy efficiency and conservation [slide 7]. Everybody in the group agreed that investment in energy efficiency must happen first because it is always cheaper to save a unit of energy than to generate it. This investment would save the economy money and re-circulate those dollars in the state's economy rather than exporting them to purchase fuels.

MR. ROSE said the second fundamental of the policy is to encourage economic development by promoting the development of both renewable and nonrenewable energy resources. One of the goals in the legislative intent language is that Alaska remains a leader in petroleum and natural gas production, as well as to become a leader in renewable energy development. Another fundamental is to support energy research, education, and workforce development, which are items addressed in HB 305 and SB 220, the House and Senate energy omnibus bills. Additionally, those bills would create an emerging energy technology fund. The last fundamental of the policy is to support coordination of governmental functions. Right now there are governmental functions on energy in many different departments around the state, but there is not necessarily any coordination on those.

2:12:40 PM

MR. ROSE summarized that this diverse group of stakeholders, by consensus, agreed Alaska must have energy policy first, then have goals, plans, and projects in that descending order to get to where it is going [slide 8]. To provide an idea of how the consensus process worked, he explained that at one point the bill was about seven pages long because each stakeholder wanted to include his or her group's pet goal. However, a decision was made to tighten things up by agreeing on only a few goals that would be sent to the legislature for passage and use as a vision to coordinate the goals that the legislature might consider most important.

2:14:08 PM

REPRESENTATIVE MILLETT pointed out that this would be a statewide policy and the House Special Committee on Energy tasked the stakeholders group to make a policy that would overarch the entire state and apply to both rural and urban residents. It required a lot of compromise between stakeholders that have parallel lines, but much different philosophies on energy, to come up with a policy that serves a purpose in every corner of the state. She noted that the stakeholder group had long debates about many of the topics that are in the amendments she is aware will be proposed.

2:15:31 PM

REPRESENTATIVE SEATON inquired whether the promotion of energy efficiency for transportation was intentionally omitted from the bill.

REPRESENTATIVE MILLETT responded yes, because one community's version of transportation may be much different than another's. For example, bicycles and public bus systems may be appropriate forms of transportation in Anchorage, but not in Dillingham or Alekanek. The group had a long discussion about there being no such thing as energy efficient airplanes and most of the transportation in rural Alaska is by airplane. The stakeholders wanted to be aware of the fundamental differences between rural and urban when it comes to transportation, and they were passionate about ensuring nothing be put in state policy that would negate a community or be unattainable by a community.

2:18:49 PM

REPRESENTATIVE EDGMON added that it can be seen from looking at the policy that the major themes are conservation, efficiency, economic development, education, and training. During committee discussions with the stakeholder group, it was felt that transportation might better serve as a subset of those major themes that would go into statute. There were a number of other items that could have also been included in the policy to provide more detail, and at one point this two-and-a-half-page bill ballooned to seven pages. It was felt that decisions needed to be made to make the bill short and concise with appropriate emphasis. The stakeholder group decided that transportation, and the unfunded mandate that might be carried with it, would be better served by the strategic work products that will follow once the policy is put in place.

[2:20:20 PM](#)

REPRESENTATIVE SEATON commented that, on an energy policy basis, it seems a large chunk of policy is being left out by omitting transportation.

CO-CHAIR JOHNSON encouraged Representatives Edgmon and Millett to continue working on transportation issues.

[2:22:03 PM](#)

REPRESENTATIVE TUCK related that the House Special Committee on Energy discussed not wanting to strap the state and ensuring that the overall energy policy is a fit for all communities. A big part of conservation, efficiency, and economic development is infrastructure, whether that is power, gas, or transportation infrastructure. He said he is a proponent of electromagnetic trains as one of the best ways of conserving and protecting the environment. He asked whether Representatives Edgmon and Millett see how potential transportation systems could be a part of building conservation, efficiency, and economic development in communities by having some fit-for-all direction to work towards, but not necessarily policy plans that would be implemented now. For example, building efficiency is included as an overall statement of goal, but it is not defined.

[2:24:05 PM](#)

REPRESENTATIVE EDGMON replied this is a policy call that committee members will likely want to consider as there is an amendment that speaks to this somewhat. He directed attention to page 2, lines 29-31, which state, "working to identify and

assist with development of the most cost-effective, long-term sources of energy for each community statewide". He said his recollection of stakeholder discussion about including a transportation element in the policy is that there is room in this language for any community to develop its own transportation policy or plan. There was great concern that by putting it into the overall policy, some of the smaller communities could be disenfranchised. It is a policy call, and he and Representative Millett are simply reporting to members what the very diverse stakeholder group came up with.

[2:25:50 PM](#)

CO-CHAIR NEUMAN, in regard to the goals listed on page 1, lines 5-15, inquired whether action items with dates for reaching those goals were developed to act as measuring sticks.

REPRESENTATIVE MILLETT answered that that is exactly what was done. The group started out with these goals in the legislative intent; Alaska has already reached 24 percent of its electric generation from the renewable energy source of hydropower, so it has 26 percent to go. The House Special Committee on Energy debated whether to raise that renewable energy goal from 50 percent to 75 percent; however, she said she was comfortable with the goal of 50 percent, knowing that it was attainable. When applying for grants or loans from the state, these goals let folks know that this is a priority.

[2:27:48 PM](#)

CO-CHAIR JOHNSON noted that under federal guidelines hydropower is not considered renewable. He asked whether hydropower is considered renewable by the State of Alaska.

REPRESENTATIVE MILLETT responded that hydropower is defined as renewable on page 2, line 22, as are hydrokinetic and tidal. The intent is to go around the federal government and continue considering hydropower as renewable energy.

REPRESENTATIVE TUCK, in response to Co-Chair Johnson, pointed out that nuclear energy is included under efficient development of nonrenewable resources on page 2, lines 26-28.

REPRESENTATIVE MILLETT added that nuclear energy was a point of contention with the stakeholder group, as was coal. She said she must give the conservation community credit for understanding that nuclear is a possibility and that coal is a

necessary resource for serving as a bridge while Alaska moves forward to renewable and alternative energy sources.

CO-CHAIR JOHNSON offered his belief that nuclear energy may be a viable alternative in the not-too-distant future.

2:30:00 PM

REPRESENTATIVE GUTTENBERG observed that however a person feels about nuclear, it is appropriate for nuclear to be in the document as something to be considered under this broad policy.

CO-CHAIR JOHNSON said he is a supporter of each community being able to determine on its own what it wants.

REPRESENTATIVE SEATON noted that his district includes the only nuclear-free city in Alaska and the only city that is currently working on a nuclear plant, those cities being Homer and Seward, respectively.

REPRESENTATIVE GUTTENBERG pointed out his district has the only non-city that is a nuclear-free zone and there was once a plan to put a nuclear plant there.

2:31:57 PM

REPRESENTATIVE SEATON asked where the sponsors think it would be most appropriate to insert something about encouraging energy efficiency for transportation.

REPRESENTATIVE MILLETT replied that transportation needs are included under the declaration of state energy policy on page 2. Lines 4-5 talk about taking a broad approach to transportation needs, but it is not specified in the body of the bill exactly what that means. She said she thinks the transportation portion is covered, and the bill was put together with the idea that transportation is included. She added that it is Representative Seaton's call on the policy, but she wanted to point out that the bill already addresses the transportation question in the declaration.

2:33:53 PM

REPRESENTATIVE EDGMON, in further response to Representative Seaton, said it seems to him the most appropriate location for a transportation amendment would be somewhere in Section 2 on page

2, should the committee decide to put transportation into the policy.

CO-CHAIR JOHNSON offered his opinion that the intent language might be a more appropriate location than the statute itself.

2:36:35 PM

REPRESENTATIVE GUTTENBERG moved to adopt Amendment 1, labeled 26-LS1049\T.1, Kane, 2/18/10, and written as follows [original punctuation provided]:

Page 3, following line 2:

Insert a new subparagraph to read:

"(E) making available to affected communities residential solid fuel burning device change out programs that meet Environmental Protection Agency emission requirements and implement energy efficiency standards that conserve the use of the state's timber resources used in space heating;"

CO-CHAIR JOHNSON objected.

REPRESENTATIVE GUTTENBERG explained that his intention is not to persuade members to adopt the amendment, but to persuade members to do larger things. He said his community clearly needs to address emission standards through the more efficient burning of solid wood. He withdrew Amendment 1 in the spirit of the work done by the House Special Committee on Energy to remain focused on overall state energy policy, even though it would be more efficient for his community to have Amendment 1 in policy now. If members keep adding things on to this policy it would likely not survive by sheer weight.

CO-CHAIR NEUMAN pointed out that wood pellet stoves are very efficient and pellets could be shipped to Western Alaska where fuel costs are very high.

REPRESENTATIVE GUTTENBERG said his point is that Amendment 1 is a specific program as compared with an overall energy policy.

2:39:03 PM

REPRESENTATIVE TUCK moved to adopt Amendment 2, labeled 26-LS1049\T.3, Kane, 3/5/10, and written as follows [original punctuation provided]:

Page 2, line 16:

Delete the second occurrence of "and"

Page 2, line 20, following "efficiency;":

Insert "and

(D) encouraging and empowering communities to adopt community-appropriate measures to reduce motor vehicle fuel use and other energy use, including measures encouraging the use of public transportation, if appropriate for the community;"

CO-CHAIR JOHNSON objected for discussion purposes.

[2:39:39 PM](#)

REPRESENTATIVE TUCK explained the House Special Committee on Energy discussed an amendment that would have assisted communities in developing public transportation options. However, the committee did not want the state to play such an in-depth role in communities and was unsure of the definition of assisting. In taking this amendment back for a re-draft, he wanted to ensure it met the criteria under the declaration of state energy policy. He further noted that Amendment 2 is not just about transportation within a community, but also transportation that would link communities in the most energy efficient ways.

[2:43:30 PM](#)

REPRESENTATIVE EDGMON said he supports the intent of the amendment, but it gives him pause because the diverse group of stakeholders felt it would be better to address this after the policy's adoption. The word empowering on line 6 carries more connotation than what the policy itself would want to carry, the amendment has more detail than the stakeholders envisioned for HB 306, and each community already has ability to adopt vehicle emission ordinances. The stakeholder group put a lot of effort into winnowing the policy down to a generic energy policy that addresses all the components of a resource development state.

CO-CHAIR JOHNSON maintained his objection to Amendment 2.

[2:45:52 PM](#)

REPRESENTATIVE TUCK moved Amendment 1 to Amendment 2 as follows:

Line 6:

Delete "and empowering"

Line 8, following "energy":  
Insert "transportation"

Lines 8-9:

Delete "including measures encouraging the use of public transportation, if appropriate for the community"

Thus, lines 6-9 of Amendment 2 would read:

(D) encouraging communities to adopt community-appropriate measures to reduce motor vehicle fuel use and other energy transportation use;

CO-CHAIR JOHNSON objected for discussion purposes.

[2:48:25 PM](#)

REPRESENTATIVE SEATON inquired what "other energy transportation use" means.

REPRESENTATIVE TUCK responded he wants the focus to specifically be on energy transportation uses and not all the energy uses that are out there.

REPRESENTATIVE GUTTENBERG said he would recognize an amendment that adds something that cannot be read into the policy. The amendment is unnecessary because this can already be read inside the policy as currently written.

[2:50:06 PM](#)

REPRESENTATIVE KAWASAKI asked whether public transportation is included under "other energy transportation use".

REPRESENTATIVE TUCK answered yes.

REPRESENTATIVE OLSON commented that Amendment 2 would give one of the stakeholders another bite at the apple, so it would then be necessary to open it up to everyone. He will therefore vote no on the amendment even though he is not opposed to the intent.

CO-CHAIR JOHNSON inquired whether Amendment 2 was brought up in the House Special Committee on Energy.

REPRESENTATIVE MILLETT responded yes. While she understood the maker's intent, she said it is covered in the broad policy and is a second bite at the apple.

CO-CHAIR JOHNSON maintained his objection.

REPRESENTATIVE TUCK withdrew Amendment 2 and offered his appreciation for the hard work of the stakeholders.

[2:52:17 PM](#)

REPRESENTATIVE SEATON moved Conceptual Amendment 3, written as follows [original punctuation provided]:

Page 2, line 27 move reference to "coal"

to

Page 2, line 28 after "nuclear energy," insert "and coal if utilized with carbon capture technology,"

Thus, page 2, lines 26-28, of CSHB 306(ENE) would read:

(B) promoting the development, transport, and efficient use of nonrenewable energy resources, including natural gas, oil, gas hydrates, heavy oil, and nuclear energy, and coal if utilized with carbon capture technology, for use by Alaskans and for export;

CO-CHAIR JOHNSON objected for discussion purposes.

[2:53:47 PM](#)

REPRESENTATIVE SEATON, in response to Co-Chair Johnson, explained that with carbon capture technology the carbon dioxide would be captured when the coal is burned. In further response, he agreed that it is a form of carbon sequestration.

CO-CHAIR NEUMAN offered his belief that Alaska has a 300-year supply of coal and said he thinks the use of carbon capture technology is already covered under the current language.

[2:55:09 PM](#)

REPRESENTATIVE P. WILSON pointed out that the word "coal" should be deleted from line 27, not moved.

REPRESENTATIVE SEATON said the intent is to move the reference to coal from line 27 to line 28. He added that the first "and" on line 28 should be deleted.

REPRESENTATIVE GUTTENBERG recalled Representative Joule stating that one of his communities has coal nearby and use of that coal would be more efficient and affordable than flying in diesel.

[2:56:53 PM](#)

CO-CHAIR JOHNSON maintained his objection, saying he fears that putting carbon capture technology into statute could result in a community being unable to use its coal even if that was the most efficient source of energy available to the community.

CO-CHAIR NEUMAN objected to Conceptual Amendment 3 because much work is being done at the Healy plant.

REPRESENTATIVE SEATON contended the amendment is not restrictive and is a policy that would encourage economic development by promoting development. He said he does not think the export of coal should be promoted without using clean coal technology or carbon capture technology. He clarified it is not his intent to close a generation facility.

A roll call vote was taken. Representatives Seaton, Edgmon, and P. Wilson voted in favor of Conceptual Amendment 3. Representatives Olson, Guttenberg, Kawasaki, Neuman, and Johnson voted against it. Therefore, Conceptual Amendment 3 failed by a vote of 3-5.

[2:59:51 PM](#)

CO-CHAIR JOHNSON moved to adopt Amendment 4, written as follows [original punctuation provided]:

Page 2, line 12, following "by"  
Delete lines 13, 14

Re-number section accordingly

CO-CHAIR NEUMAN objected for discussion purposes.

CO-CHAIR JOHNSON explained he does not want to codify the creation and establishing of efficiency codes for new and renovated residential, commercial, and public buildings because

the codes might cause problems, increase costs, and stymie development. He is not prepared to have the administration develop energy efficiency codes until further down the line.

[3:01:13 PM](#)

REPRESENTATIVE P. WILSON supported the state having efficiency codes because while living in Tok she saw houses that were just being thrown together. Given the state is currently paying to winterize [existing] homes, there should be some kind of a basis for new construction so the state is not paying for something that could have been done to begin with. Therefore, she said she would like to leave this provision in the bill.

[3:02:33 PM](#)

REPRESENTATIVE EDGMON agreed with Representative Wilson. He said this is a very important part of the overall policy, which is reflected in omnibus legislation that is making its way through both the House and Senate. He pointed out that there are over 1,000 public facility buildings in the state with each agency using a different energy efficiency code for its buildings. Energy efficiency is the best and quickest way to reduce the consumption of energy. The legislature has put almost \$400 million into the weatherization program, with much of that designed to go after sub-standard private sector homes. Under HB 296 the governor is proposing to use \$18 million of Alaska's \$30 million in federal stimulus monies to allow for performance contracting for public facilities. Thus, including efficiency codes in the energy policy is only appropriate.

[3:04:12 PM](#)

REPRESENTATIVE GUTTENBERG AHFC noted that the Alaska Housing Finance Corporation (AHFC) already has codes for weatherization and energy efficiencies and is going to great length to ensure the money is being used to meet certain standards. Banks want codes so they know what they are loaning on. So, in many ways the state is already there. The bill does not say adopt codes, it just says establish energy efficiency codes. If the state does not establish codes for itself, someone else might, such as an insurance agency requiring that certain building standards be met before it will provide insurance. However, he added, codes should not apply to the cabin in the middle of the woods.

[3:06:27 PM](#)

CO-CHAIR NEUMAN supported Amendment 4 for all the aforementioned reasons because he sees the word establishing as meaning it will become mandated building code statewide. Many people need to build their own home because there are no contractors in their area, codes would also increase the cost of construction. Promoting the most efficient way is hard to do because the most efficient fuel for a home, such as natural gas, may not be available in all areas of the state. He said his biggest issue is that this would mean state government is telling local governments and citizens what to do when it should instead be encouraged at the local level.

The committee took an at-ease from 3:09 p.m. to 3:10 p.m.

The meeting was recessed at 3:10 p.m. to a call of the chair.

6:02:03 PM

CO-CHAIR JOHNSON called the meeting back to order at 6:02 p.m. Present at the call back to order were Representatives Seaton, P. Wilson, Edgmon, Tuck, and Johnson. Representatives Olson, Guttenberg, Kawasaki, and Neuman arrived as the meeting was in progress. Discussion resumed on Amendment 4.

6:02:39 PM

REPRESENTATIVE EDGMON moved to adopt Conceptual Amendment 1 to Amendment 4 as follows: page 2, re-insert lines 13 and 14; line 13 replace "establishing" with "encouraging". Thus, page 2, lines 13-14, would read:

(A) encouraging statewide energy efficiency codes for new and renovated residential, commercial, and public buildings;

REPRESENTATIVE EDGMON explained that encouraging would better fit the intent of the overall policy statement and would not be a mandate that requires something.

6:05:25 PM

REPRESENTATIVE TUCK objected. He pointed out that the AHFC is currently using the 1998 international building code, and although that code has been updated the AHFC is still using the 1998 version. Should the AHFC ever be challenged, he feared that it would be required to use the revised international codes, which is something the State of Alaska would not like to

do. It is important that Alaska have its own codes that meet its needs rather than an international code. Alaskans could use the state's code as a guideline even if it is not implemented. He related that the [Cold Climate Housing Research Center] in Fairbanks is looking for the best method of construction in Alaska and learning what does and does not work so the state can have proper codes to meet its needs.

[6:07:02 PM](#)

REPRESENTATIVE EDGMON responded that establishing has a stronger meaning to it and is a mandate that could mean there will not be enough support for the policy. Encouraging accomplishes the same result by providing basically the same direction in that energy efficiency codes are coming Alaska's way, whether through the marketplace, federal designation, or lenders.

REPRESENTATIVE MILLETT added that the word encouraging better fits the document because the policy's recommendations were drafted to be guidelines, not mandates. She said she is comfortable with the amendment to the amendment and in continuing forward with the theme of the policy, which is encouraging the state to do certain things and one is to adopt some energy efficiency codes.

[6:09:03 PM](#)

REPRESENTATIVE GUTTENBERG pointed out that regardless of which word is used, no codes are being adopted by this bill. The AHFC is already doing quite a bit of this and there are already codes or guidelines. While encouraging is not quite as good to him as establishing, it is acceptable and will work for getting the policy through the legislature.

REPRESENTATIVE TUCK withdrew his objection. He offered his appreciation for Representative Guttenberg's comments and said it will be up to local communities whether to adopt any codes that are established.

There being no further objection, Conceptual Amendment 1 to Amendment 4 was passed. There being no objection, Amendment 4, as amended, was passed.

[6:11:02 PM](#)

CO-CHAIR JOHNSON withdrew Amendment 5 without offering it.

REPRESENTATIVE SEATON moved to adopt Conceptual Amendment 6, written as follows [original punctuation provided]:

Page 3, line 3,

Insert:

"(E) promoting energy efficiency utilized for transportation"

REPRESENTATIVE GUTTENBERG objected.

The committee took an at-ease from 6:11 p.m. to 6:12 p.m.

REPRESENTATIVE GUTTENBERG removed his objection.

CO-CHAIR JOHNSON objected.

[6:13:25 PM](#)

REPRESENTATIVE SEATON explained that the energy policy outlines what is wanted to take place throughout the state. Conceptual Amendment 6 would promote economic development by promoting energy efficiency utilized for transportation and, as suggested by Representatives Edgmon and Millett, would be inserted under Section 2 which promotes economic development.

REPRESENTATIVE MILLETT stated the amendment is a good compromise for putting in transportation without mandating anything and she does not think it would alienate any of the rural communities.

REPRESENTATIVE EDGMON said he is fine with the amendment and noted it would accomplish what the earlier amendment had wanted to accomplish.

CO-CHAIR JOHNSON removed his objection. There being no further objection, Conceptual Amendment 6 was passed.

[6:14:51 PM](#)

CO-CHAIR NEUMAN moved to adopt Conceptual Amendment 7 as follows:

Page 1, line 15, after "renewable":

Insert "and alternative"

CO-CHAIR NEUMAN explained he would like to include this language because alternative fuel sources can be created from methane, a clean fuel that would provide a great opportunity for Alaska. The amendment would tie in with the other parts of the policy, such as page 2, line 26. He added that alternative energy would also provide jobs.

[6:17:43 PM](#)

CO-CHAIR JOHNSON objected for discussion purposes. He inquired whether alternative is defined in the bill.

CO-CHAIR NEUMAN stated that alternative energy can be gas-to-liquids, coal-to-liquids, or biomass to liquids. Alternative fuels are an evolving culture as far as what will be the fuels of the future.

CO-CHAIR JOHNSON understood, but said his question is whether alternative is defined.

REPRESENTATIVE MILLETT said she believes alternative is defined in the omnibus bill, but she is unsure whether it is defined in the policy bill. She offered her belief that alternative energy is a defined term in statute so a definition may not be needed.

[6:19:17 PM](#)

REPRESENTATIVE TUCK stated that an inventory book published by the Alaska Energy Authority includes nuclear as alternative energy, and he therefore thinks alternative energy is anything that is not defined under renewable and that is not currently being utilized.

CO-CHAIR JOHNSON noted he is not opposed to including the alternative language, but he wants to be clear that at some point coal is not considered alternative. Additionally, he wants to ensure that what the bill is trying to accomplish is clearly defined.

REPRESENTATIVE SEATON recalled that a year or so ago the title for the renewable energy fund was changed at the last minute from renewable to alternative, which would have meant that the funds could have been spent on coal gasification. Thus, he understands the point of needing clarity. However, this policy deals with all the energies and the amendment would not mean that alternative energy would be defined as renewable, thus he does not have a problem with the amendment.

CO-CHAIR JOHNSON agreed.

[6:21:24 PM](#)

REPRESENTATIVE TUCK pointed out that page 2, lines 22-25, promote the development of renewable energy resources, and page 2, lines 26-28, promote the development of nonrenewable energy resources. He agreed that "and alternative" would apply because it would help to emphasize lines 26-28.

CO-CHAIR JOHNSON removed his objection.

REPRESENTATIVE GUTTENBERG objected. He inquired whether this amendment would require that another section be added to the bill to define what is renewable, nonrenewable, and alternative.

REPRESENTATIVE MILLETT said she thinks that including alternative is forward thinking. While it might be thought that energy sources can be defined, new sources of energy may come up that may not be defined; thus, alternative might provide a broad enough scope. While she thinks that gas-to-liquids would be covered under fossil fuel and hydrates, she said she is not opposed to alternative because every energy is encompassed that can be defined at this point in time.

[6:24:08 PM](#)

CO-CHAIR JOHNSON supported adding alternative. He noted that fish waste is being changed into diesel, something that is not technically covered in the bill; however, alternative would bring that in.

REPRESENTATIVE TUCK added that alternative would cover all the bases because Alaska's definition of renewable might not be the federal government's definition, hydropower being one example.

[6:24:50 PM](#)

REPRESENTATIVE EDGMON agreed with adding the word alternative to the intent section and suggested that it also be included in the codified section. He moved Amendment 1 to Amendment 7 as follows:

Page 2, line 27, after "nonrenewable":  
Insert "and alternative"

There being no objection, Amendment 1 to Amendment 7 was passed.

REPRESENTATIVE GUTTENBERG removed his objection to Amendment 7.

There being no further objection, Amendment 7, as amended, was passed.

[6:26:21 PM](#)

CO-CHAIR JOHNSON opened public testimony.

CAITLIN HIGGINS, Executive Director, Alaska Conservation Alliance and Alaska Conservation Voters, supported HB 306 and urged its passage on behalf of her organization's 40 member groups. She thanked Representatives Edgmon and Millett and stated it was a pleasure to work as part of the stakeholders group. She said HB 306 is a policy that creates the first step in reaching a longer-term vision of the energy goals that the state wants to achieve. The energy policy would put Alaska on an economically viable, sustainable, stable energy path that supports energy efficiency first and foremost. Further, the energy policy would support renewable energy development, workforce training, and coordinating efforts among government entities focused on energy. The Alaska Conservation Alliance has identified energy efficiency as a priority issue for this legislative session and supports the policy to encourage the establishment of statewide energy efficiency codes, decrease energy use in public buildings through efficiency, and educate the public about becoming more energy efficient. The bill sets Alaska on a path to a cleaner, brighter, and more economically stable future.

CO-CHAIR JOHNSON closed public testimony after ascertaining no one else wished to testify.

[6:28:51 PM](#)

REPRESENTATIVE TUCK thanked the House Special Committee on Energy co-chairs for partnering with the stakeholders and giving all of them the opportunity to weigh in and refine the bill. It is a good piece of legislation with buy-in from all parties and is a great example of government bodies reaching out to the public to come up with policies that benefit both the people and the state.

CO-CHAIR JOHNSON also recognized the hard work done by the co-chairs of the House Special Committee on Energy. He related

that the Obama Administration stated in a meeting that natural gas is the bridge to the future, although it might take 100 years to cross that bridge to renewable energy. He said it will therefore be important to continue to develop fossil fuels in the immediate future.

[6:31:26 PM](#)

REPRESENTATIVE EDGMON stated that HB 306 is a remarkable piece of legislation because it truly is the work of an ad-hoc group of Alaskans representing every sector of the energy industry and advocacy.

CO-CHAIR JOHNSON said he is looking for the same type of cooperation from the people and user groups that put the policy together to help develop Alaska's fossil fuels.

REPRESENTATIVE EDGMON moved to report CSHB 306(ENE), as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 306(RES) was reported from the House Resources Standing Committee.

[6:32:53 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 6:33 p.m.