

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

February 25, 2010

4:07 p.m.

MEMBERS PRESENT

Senator Lesil McGuire, Co-Chair
Senator Bill Wielechowski, Co-Chair
Senator Hollis French
Senator Gary Stevens

MEMBERS ABSENT

Senator Charlie Huggins, Vice Chair
Senator Bert Stedman
Senator Thomas Wagoner

COMMITTEE CALENDAR

SENATE BILL NO. 203

"An Act relating to a tax credit for a facility to store Cook Inlet gas for sale and delivery in the state; relating to an exemption from the oil and gas exploration, production, and pipeline transportation property tax for a facility that stores Cook Inlet gas for sale and delivery in the state; and providing for an effective date."

- MOVED CSSB 203(RES) OUT OF COMMITTEE

SENATE BILL NO. 277

"An Act exempting from regulation by the Regulatory Commission of Alaska and by municipalities generators of electricity from renewable energy resources that sell electricity to regulated utilities."

- MOVED CSSB 277(RES) OUT OF COMMITTEE

SENATE BILL NO. 220

"An Act declaring a state energy policy; relating to energy efficiency and alternative energy; establishing the energy efficiency grant fund, an emerging energy technology fund, a renewable energy production tax credit, and an energy use index; and relating to a fuel purchasing cooperative, to energy codes and efficiency standards, to energy conservation targets in public buildings, to a state agency energy use reduction plan,

to the alternative energy revolving loan fund, and to the renewable energy grant fund."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: SB 203

SHORT TITLE: COOK INLET GAS STORAGE FACILITIES

SPONSOR(s): SENATOR(s) FRENCH, WIELECHOWSKI

01/19/10	(S)	PREFILE RELEASED 1/8/10
01/19/10	(S)	READ THE FIRST TIME - REFERRALS
01/19/10	(S)	RES, FIN
02/08/10	(S)	RES AT 3:30 PM BUTROVICH 205
02/08/10	(S)	Heard & Held
02/08/10	(S)	MINUTE(RES)
02/11/10	(S)	RES AT 3:30 PM BUTROVICH 205
02/11/10	(S)	Heard & Held
02/11/10	(S)	MINUTE(RES)
02/25/10	(S)	RES AT 4:00 PM BUTROVICH 205

BILL: SB 277

SHORT TITLE: PUB. UTILITY EXEMPTION: RENEWABLE ENERGY

SPONSOR(s): ENERGY

02/12/10	(S)	READ THE FIRST TIME - REFERRALS
02/12/10	(S)	RES, JUD
02/22/10	(S)	RES AT 3:30 PM BUTROVICH 205
02/22/10	(S)	Heard & Held
02/22/10	(S)	MINUTE(RES)
02/25/10	(S)	RES AT 4:00 PM BUTROVICH 205

WITNESS REGISTER

KEVIN BANKS, Division Director
Division of Oil and Gas
Department of Natural Resources (DNR)
Anchorage, AK

POSITION STATEMENT: Provided information on SB 203.

MICHAEL PAWLOWSKI
Aide to Senator McGuire
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Provided information on SB 277.

STUART GOERING, Assistant Attorney General
Representing the Regulatory Commission of Alaska (RCA)
Department of Law
Anchorage, AK

POSITION STATEMENT: Provided information on SB 277.

ACTION NARRATIVE

[4:07:35 PM](#)

CO-CHAIR BILL WIELECHOWSKI called the Senate Resources Standing Committee meeting to order at 4:07 p.m. Present at the call to order were Senators French, McGuire, Stevens and Wielechowski.

SB 203-COOK INLET GAS STORAGE FACILITIES

[4:08:02 PM](#)

CO-CHAIR WIELECHOWSKI announced that the first order of business to come before the committee was SB 203.

SENATOR FRENCH moved to adopt the proposed committee substitute (CS) for SB 203, labeled 26-LS1114\T, as the working document. There being no objection, version T was before the committee.

SENATOR FRENCH said on page 2, lines 10-16, of Version T, clarify that the Regulatory Commission of Alaska (RCA) will only regulate gas storage facilities that apply for and receive a tax credit. Version T also addresses the Department of Revenue's two concerns regarding double dipping. On page 2, lines 24-26 ensure that a facility receives only one credit at the time of the first purchase, construction or acquisition of a gas storage facility. On page 2, line 29 now reads "an expenditure incurred" which is more familiar and comfortable language than "cash expenditure or a payment". The provision requiring pre-authorization of credit on page 3, lines 18-26, of Version P, was completely removed. A taxpayer will claim the credit when filing their return. Finally, the provision amending AS 43.56.210(5) was removed from the bill.

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KEVIN BANKS, Director, Division of Oil and Gas, Department of Natural Resources (DNR), Anchorage, commented that having the RCA oversee a facility that receives this tax credit is a good idea. DNR, in dealing with leasing of new storage facilities, has engaged the applicants with a proposal that they provide

third party access in exchange for the right to store gas in state oil and gas leases and that the RCA's fee will be some percentage of their cost of service.

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CO-CHAIR WIELECHOWSKI asked if the administration supported or opposed SB 203.

MR. BANKS replied the administration is neutral.

CO-CHAIR WIELECHOWSKI said SB 203 could go a long way to solve some problems with gas in Cook Inlet. He thanked Senator French and noted that the CS was before the committee without objection.

SENATOR FRENCH moved to report SB 203, 26-LS1114\T, from committee with individual recommendations and accompanying fiscal notes. There being no objection CSSB 203(RES) moved from the Senate Resources Standing Committee.

SB 277-PUB. UTILITY EXEMPTION: RENEWABLE ENERGY

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CO-CHAIR WIELECHOWSKI announced the next order of business to come before the committee was SB 277.

SENATOR FRENCH moved to adopt the proposed committee substitute (CS) for SB 277, labeled 26-LS1353\P, as the working document of the committee.

SENATOR WIELECHOWSKI objected for discussion purposes.

MICHAEL PAWLOWSKI, Staff to Senator McGuire, said changes in Section 3 [on page 2, version P] respond to concerns about the size of the projects that could be exempted from regulation under SB 277. On page 2, lines 9-10 specify that SB 277 applies to facilities placed into service before January 1, 2016. On page 2, line 11 limits the size of the facilities to those generating less than 65 megawatts of electricity. He said Senator Stedman had been concerned about large hydro-projects being built, particularly with state money, without regulation. Mr. Pawlowski explained that on page 2, Section 3, paragraph (3), lines 14-19 state that the exemption from regulation is appropriate if the facility is not receiving tax credits or state grants.

He said the fundamental point of SB 277 is maintained on page 2, lines 12-13 of Version P. The power sales agreement between the power producer and the consumers is regulated at the utility level. The power producer will sell power to a utility and that power sales agreement must go up for approval by the commission.

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He explained that Section 3 [page 2, version P] was also redrafted to apply to the plant or facility rather than the person.

SENATOR STEVENS asked for a point of reference to help understand the magnitude of 65 megawatt plant.

MR. PAWLOWSKI said much of the larger generation in the Rail Belt is about 60 megawatts, such as the North Pole Extension. He said under a provision in the Federal Energy Regulatory Commission (FERC), an 80 megawatt plant generated from renewable energy can apply for exemptions to regulations.

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SENATOR STEVENS asked how many megawatts Bradley Lake is.

CO-CHAIR WIELECHOWSKI said he believes Bradley Lake is over 100 megawatts. Chakachumna is proposed to be 360 megawatts, Susitna is proposed to be from 400 to 1600 megawatts and Mt. Spur is proposed to be 100 or 150 megawatts. He said SB 277 is contained to the smaller renewable plants.

SENATOR MCGUIRE said 65 megawatts would be around 5,000 to 6,000 households. She said the massive projects are not covered in SB 277, which should ease concerns about large hydro-electric facilities. She said she worries that the renewable energy companies attracted to Alaska may be discouraged by the RCA process.

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SENATOR MCGUIRE reiterated that the philosophy behind SB 277 is to get as much power produced in Alaska as possible, coming into the utilities, with RCA overseeing the ultimate contract with consumers. An extra layer of government could end up killing a project. She encouraged committee members to consider the broader question of renewable energy.

SENATOR FRENCH asked what the difference is between having the RCA regulate a facility and having the RCA regulate a contract

between a facility that produces electricity and the utility that buys the electricity.

STUART GOERING, Assistant Attorney General, representing RCA, Department of Law, Anchorage, replied that AS 42.05, the Public Utility Regulatory Act, generally speaks in terms of activities, such as furnishing electricity, not in terms of facilities. The process begins with a Certificate of Public Convenience and Necessity (CPCN) which requires a showing that a utility operator is fit, willing and able to provide the service and the service is in the public's convenience and necessity. Once certificated, the utility files a tariff for approval by the commission that specifies the terms, rules and regulations under which service is provided to the public.

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CO-CHAIR WIELECHOWSKI called a short at ease at 4:30 p.m. due to static over the sound system.

SENATOR FRENCH asked if the issuance of a CPCN is more comprehensive than passing on a wholesale power agreement.

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CO-CHAIR WIELECHOWSKI called another at ease from 4:32 to 4:33 due to static over the sound system.

[4:33:35 PM](#)

MR. GOERING said that a contract for the supply of wholesale power between a utility and non-regulated vendor is covered by 3 AAC 52.470(e) which requires that the utility file the contract with the commission. Prior approval is not required.

SENATOR FRENCH asked how many vendors in Alaska sell electricity without having themselves applied for and gotten a CPCN.

MR. GOERING replied that he does not have a firm answer but they are typically small projects. He said wholesale power sales agreements are usually between regulated utilities. The assumption is that the vendor is unregulated because these are smaller projects. Under existing law, anybody who provides power to a public utility for compensation becomes a public utility themselves and the only way to not be a public utility is if they are a Public Utility Regulatory Policies Act Qualifying Facility (PURPA QF). That regulation would have to be revisited if SB 277 is enacted into law.

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CO-CHAIR WIELECHOWSKI closed public testimony.

[4:36:45 PM](#)

CO-CHAIR WIELECHOWSKI called an at ease from 4:36 p.m. to 4:39 p.m.

[4:39:30 PM](#)

CO-CHAIR WIELECHOWSKI said the committee had a comprehensive list of questions that had been raised by Mr. Goering, many of which are legal in nature and better addressed by the judiciary committee.

CO-CHAIR WIELECHOWSKI removed his objection and version P was before the committee.

[4:40:11 PM](#)

SENATOR MCGUIRE moved to report CS for SB 277, 26-LS1353\P, from committee with individual recommendations and accompanying fiscal notes. There being no objection CSSB 277(RES) moved from the Senate Resources Standing Committee.

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CO-CHAIR WIELECHOWSKI, seeing no further business to come before the committee, adjourned the meeting at 4:40 p.m.