

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

March 1, 2011

3:08 p.m.

**MEMBERS PRESENT**

Representative Neal Foster, Co-Chair  
Representative Lance Pruitt, Co-Chair  
Representative Bob Lynn  
Representative Dan Saddler  
Representative Pete Petersen  
Representative Kurt Olson

**MEMBERS ABSENT**

Representative Chris Tuck

**COMMITTEE CALENDAR**

HOUSE BILL NO. 103

"An Act relating to the procurement of supplies, services, professional services, and construction for the Alaska Energy Authority; establishing the Alaska Railbelt energy fund and relating to the fund; relating to and repealing the Railbelt energy fund; relating to the quorum of the board of the Alaska Energy Authority; relating to the powers of the Alaska Energy Authority regarding employees and the transfer of certain employees of the Alaska Industrial Development Export Authority to the Alaska Energy Authority; relating to acquiring or constructing certain projects by the Alaska Energy Authority; relating to the definition of 'feasibility study' in the Alaska Energy Authority Act; and providing for an effective date."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 103

SHORT TITLE: POWER PROJECT; ALASKA ENERGY AUTHORITY

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/18/11	(H)	READ THE FIRST TIME - REFERRALS
01/18/11	(H)	ENE, FIN
02/15/11	(H)	ENE AT 3:00 PM BARNES 124
02/15/11	(H)	Heard & Held
02/15/11	(H)	MINUTE(ENE)

02/17/11 (H) ENE AT 3:00 PM BARNES 124  
02/17/11 (H) Heard & Held  
02/17/11 (H) MINUTE(ENE)  
02/22/11 (H) ENE AT 3:00 PM BARNES 124  
02/22/11 (H) Heard & Held  
02/22/11 (H) MINUTE(ENE)  
02/24/11 (H) ENE AT 3:00 PM BARNES 124  
02/24/11 (H) Heard & Held  
02/24/11 (H) MINUTE(ENE)  
03/01/11 (H) ENE AT 3:00 PM BARNES 124

**WITNESS REGISTER**

BECKY LONG

Talkeetna, Alaska

**POSITION STATEMENT:** Testified during the hearing on HB 103.

CHERYLL HEINZE, Director of Governmental and Public Affairs  
Matanuska Electric Association, Inc. (MEA)  
Palmer, Alaska

**POSITION STATEMENT:** On behalf of the Alaska Railbelt  
Cooperative Transmission & Electric Company (ARCTEC), testified  
in support of HB 103.

JIM SYKES

Palmer, Alaska

**POSITION STATEMENT:** Testified during the hearing on HB 103.

BRAD JANORSCHKE, General Manager  
Homer Electric Association Inc. (HEA)  
Homer, Alaska

**POSITION STATEMENT:** Testified in support of HB 103.

GERALD SOUSA

Talkeetna, Alaska

**POSITION STATEMENT:** Testified during the hearing on HB 103.

CARL CROSMAN

Copper River Valley, Alaska

**POSITION STATEMENT:** Testified during the hearing on HB 103.

RICHARD LEO

Trapper Creek, Alaska

**POSITION STATEMENT:** Testified during the hearing on HB 103.

SHERYL SALASKY

Talkeetna, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 103.

**ACTION NARRATIVE**

[3:08:32 PM](#)

**CO-CHAIR NEAL FOSTER** called the House Special Committee on Energy meeting to order at 3:08 p.m. Representatives Foster, Saddler, Petersen, Lynn, and Pruitt were present at the call to order. Representative Olson arrived as the meeting was in progress.

**HB 103-POWER PROJECT; ALASKA ENERGY AUTHORITY**

[3:09:09 PM](#)

CO-CHAIR FOSTER announced that the only order of business would be HOUSE BILL NO. 103, "An Act relating to the procurement of supplies, services, professional services, and construction for the Alaska Energy Authority; establishing the Alaska Railbelt energy fund and relating to the fund; relating to and repealing the Railbelt energy fund; relating to the quorum of the board of the Alaska Energy Authority; relating to the powers of the Alaska Energy Authority regarding employees and the transfer of certain employees of the Alaska Industrial Development Export Authority to the Alaska Energy Authority; relating to acquiring or constructing certain projects by the Alaska Energy Authority; relating to the definition of 'feasibility study' in the Alaska Energy Authority Act; and providing for an effective date."

[3:09:45 PM](#)

CO-CHAIR FOSTER stated his intent to start committee work on HB 103 on 3/8/11, and asked that members submit amendments to the co-chairs by 3/7/11. He noted that the Alaska Energy Authority (AEA), Department of Commerce, Community & Economic Development (DCCED), held public meetings on the bill in Fairbanks and Talkeetna, and meetings are scheduled for Palmer, Anchorage, and Kenai. Co-Chair Foster opened the hearing to public testimony.

[3:12:11 PM](#)

BECKY LONG informed the committee she attended the AEA open house presentations and estimated 150 people were in attendance at the Talkeetna meeting. She said 99 written questions were submitted to the facilitators of the meeting, and opined many participants were frustrated because there was no opportunity

for comments or follow-up questions from the residents. Many of the questions asked about the lack of commitment on the part of state agencies to energy efficiency and conservation, the project's impact on fish, the project's impact on the northern Susitna economy and on resident's livelihoods, the potential seismic issues, and the potential siltation issues. Ms. Long relayed the questions remained unanswered by AEA and its consultants, who advised that more timely data is required. When AEA was asked about the public process that allows participation in the decision on whether the Susitna dam will be the "mega-dam project," its representative indicated that the legislature will ultimately decide, although HB 103 was not mentioned. Attendees determined that legislative hearings were their only opportunity to comment on the project, even though AEA told them there will be time for public comment during the Federal Energy Regulatory Commission (FERC) licensing process. Ms. Long warned that there is momentum to commit state resources now to "the largest state subsidy in Alaska history." She expressed her opposition to HB 103 and the dam, and urged a more public process. She encouraged the committee to take testimony from AEA after its meetings are finished, and opined there is a need for more public testimony so the state may hear its residents' concerns about consumer, fiscal, and environmental issues before a commitment of significant state resources is made to the project.

[3:16:45 PM](#)

REPRESENTATIVE LYNN asked Ms. Long for her major objection to the dam.

MS. LONG stated that residents are afraid of negative impacts to fisheries, the environment, and their livelihoods. There are also concerns about a "boom/bust economy," and electrical rates. Although the state has an admirable mandate for 50 percent renewable energy by 2025, she questioned whether one mega-project, and "putting all our eggs in one basket," would fulfill that mandate. She warned that AEA's seismic data is inaccurate and many issues "need to be defined and are not being defined."

[3:18:26 PM](#)

REPRESENTATIVE LYNN expressed his support of the dam along with the development of oil resources and a gas pipeline. A dam will serve to broaden the state's energy resources and avoid all of its eggs in one basket. However, Representative Lynn said he

wanted to know more about potential problems such as fault lines and fisheries.

3:19:58 PM

REPRESENTATIVE SADDLER assured Ms. Long this hearing is not the only opportunity for public comment on the Susitna dam proposal. During the process, there will be scoping meetings to satisfy the National Environmental Policy Act (NEPA), and opportunities for public comment on the draft environmental impact statement (EIS).

3:20:37 PM

CO-CHAIR PRUITT observed that legislators are asking questions similar to those posed by the residents of Talkeetna. He pointed out that all public testimony is available online through the legislative information system, and he provided the website information. He clarified that HB 103 is not a "go-ahead to build the project," but creates an organization with the ability to own, build, or operate the Watana dam, or other smaller projects related to energy throughout the state.

3:23:09 PM

CHERYLL HEINZE, Director of Governmental and Public Affairs, Matanuska Electric Association, Inc. (MEA), informed the committee she was speaking on behalf of the Alaska Railbelt Cooperative Transmission & Electric Company (ARCTEC), which is a cooperative comprised of Golden Valley Electric Association (GVEA), Homer Electric Association, Inc. (HEA), Chugach Electric Association, Inc. (CEA), Matanuska Electric Association, Inc. (MEA), and Seward Electric Utility. She referred to the last paragraph of ARCTEC Resolution 11-002 and read:

Now therefore be it resolved that the legislature grant the Alaska Industrial Development and Export Authority with the powers necessary to accomplish the objectives stated in state statute, including the power to issue taxable and tax exempt bonds, and that the legislature grant the Alaska Energy Authority the right to acquire ownership interest in projects as provided in state statute. Passed and approved by the Board of Directors of ARCTEC, this fourteenth day of January, 2011.

MS. HEINZE said ARCTEC is in support of the bill and its Senate companion bill. She was also at the public meeting in Talkeetna and opined the meeting did not go very well because the presenters "did not quite have their answers together" for even simple questions about safety. Ms. Heinze said her organization wants the bill to pass, but acknowledged that there was a lot of fear on the part of the residents of Talkeetna regarding their safety.

REPRESENTATIVE PETERSEN recalled he asked the same question about the dam breaking and the potential damage, and was assured the town was so far downstream there would be "no large effect on Talkeetna."

MS. HEINZE encouraged that speaker to visit Talkeetna.

[3:27:30 PM](#)

CO-CHAIR PRUITT asked who was presenting at Talkeetna.

MS. HEINZE said the presenters were two or three engineers, a hydrologist, a wildlife biologist, a moderator, and a representative from the utilities. She cautioned that the residents did not get the whole picture of the answers to the energy situation for the long-term.

[3:28:41 PM](#)

CO-CHAIR PRUITT cited Ms. Heinze's experience in governmental affairs, and asked whether the presenters were knowledgeable.

MS. HEINZE relayed that the residents wanted to learn and did not get the answers they needed. She restated her concern about the residents' fears, and also that simple questions about access to the river and flooding were put off instead of addressed.

[3:30:34 PM](#)

CO-CHAIR PRUITT asked how much public knowledge is "out there" about the project itself.

MS. HEINZE said, "I think it's fragmented ... they just don't know, so there's a huge job of getting information out, particularly to these folks in Talkeetna." In further response to Co-Chair Pruitt, she agreed with the need for someone to communicate, and offered MEA's help.

REPRESENTATIVE SADDLER recalled the committee was told that Alaska is a seismic region, but there are similar dams built to withstand seismic shocks. Furthermore, other energy measures remain under consideration such as weatherization and improved efficiency, natural gas, geothermal, and small hydro.

MS. HEINZE concluded the meeting was poorly managed.

[3:34:20 PM](#)

JIM SYKES said he was speaking on his own behalf and disclosed that he served as an advisor to the Regional Integrated Resource Plan (RIRP) for three years. He supported the concept of the bill which allows AEA to carry the project, but questioned why two Alaska Industrial Development and Export Authority (AIDEA) board members are on the board. He was looking for more consumer advocates and a cross-section of the public to serve as members on the AEA board, and suggested this may be accomplished by an advisory committee. Mr. Sykes pointed out the value of public and utility groups meeting together. He understood the business purpose of AEA creating subsidiary corporations, but was troubled by the "carte blanche" approach without public oversight. Mr. Sykes discussed coordinating emerging energy technologies and energy efficiency with performance-based contracting, and advised that residents now understand that the benefits of these efforts are cost of energy savings, less energy use, and the creation of local jobs. In fact, a reduction of energy use in the Railbelt of 3 percent per year for 15 years would reduce the need for such a large dam. The legislature should establish a mechanism that would not only allow a project to be built, but that would also choose the best project. Mr. Sykes cautioned that during the evaluation of the Susitna project, the dam was manipulated to "what they thought they could sell to the legislature."

MR. SYKES restated the potential of other alternative sources of power and opined the legislation should also ensure that there is a parallel process for renewables - funded with an equal amount of money - which advances along with the Susitna project. Furthermore, although AEA is staffed with very competent people, using Bradley Lake Hydro as a model is not appropriate. Mr. Sykes concluded that AEA can handle the project, but there needs to be "more involvement and consideration and research for the larger project."

[3:44:16 PM](#)

BRAD JANORSCHKE, General Manager, Homer Electric Association Inc. (HEA), stated that HEA serves the western half of the Kenai Peninsula and supports HB 103 as written. He restated the language of the bill and pointed out that HEA maintains and operates Bradley Lake Hydro, which is currently the largest hydroelectric (hydro) facility in the state. Although it is one-fifth the size of the proposed Watana dam, Bradley Lake Hydro is a successful model. In addition, HEA is a Railbelt utility dependent upon natural gas for 92 percent of its energy needs, thus its members are aware of the consequences of relying on a single source of energy. Small-scale renewable projects and conservation are notable, but there needs to be a reduction in the dependence on natural gas for baseload generation, and large-scale hydro is a realistic option. Mr. Janorschke closed, saying HEA supports the governor's proposal on the project.

[3:46:32 PM](#)

REPRESENTATIVE SADDLER asked whether HEA supports the bill in its entirety.

MR. JANORSCHKE said yes, HEA supports HB 103 as written.

CO-CHAIR PRUITT noted that the bill authorizes AEA with the operation of the project. He asked whether the legislation creates a benefit to HEA, and about its impact to the relationship between HEA and AEA.

[3:47:50 PM](#)

MR. JANORSCHKE opined the legislation will not "change anything for us." Currently, HEA operates and maintains Bradley Lake Hydro on behalf of the state and participating utilities. If AEA owned the project, HEA would encourage economical maintenance and operation; in fact, all of the other utilities would encourage operation of the facility by an experienced utility located in the nearby geographic area.

[3:49:26 PM](#)

REPRESENTATIVE SADDLER asked, "What were the fears expressed about Bradley Lake before it was built, and how well [have those] been answered, or not?"

MR. JANORSCHKE expressed his understanding that there were environmental and pricing concerns about the project; in fact,

in the early '90s Bradley Lake was an expensive source of electric energy. Today, it is the second lowest, behind GVEA's coal plant Healy Unit 1. He advised that HEA is proposing a small-scale hydro project at Moose Pass and at a public meeting with FERC concerns were raised. However, the original opposition has been reduced because HEA responded to concerns and modified its design. He urged AEA to closely follow comments by members of the public.

[3:52:28 PM](#)

GERALD SOUSA spoke on his own behalf and disclosed he was a member of the Alaska Department of Fish & Game (ADFG) Matanuska Valley Advisory Committee. Mr. Sousa said he was a 40-year resident of the Talkeetna area. He recalled that studies in the '80s revealed that the dam project is on a fault line, and he described the geography along the river. He said, "... I strongly suspect, being a layman, and just looking at the topography [a dam breach] would wipe Talkeetna off the map," and he reminded the committee its decision would affect future generations. Mr. Sousa gave the example of the recent event in Christchurch, New Zealand. Turning to economics, he pointed out the cost overruns of the Port of Anchorage expansion project. Regarding habitat, he related his experience in the '80s when he saw salmon fry in the area that would suffer from siltation in the spring. Mr. Sousa questioned why dams are being built in Alaska when the rest of the country is tearing dams out. He stated the dam will also negatively affect moose habitat due to the loss of willows growing on the banks of the river, and cause the loss of goats from the cliff sides. In addition, the water table will drop which will limit recreational activities, and silt will accumulate behind the dam. He encouraged the construction of the gas pipeline bullet line to Fairbanks, and the increase of energy efficiency to solve the problem without destroying the ecosystem of the Susitna River drainage. He strongly suggested the committee strike the specific Susitna dam project from the bill.

[3:58:29 PM](#)

REPRESENTATIVE PETERSEN asked which river had smolt.

MR. SOUSA answered the Susitna River. He added that he was told the silt will disturb the smolt's feed and thereby destroy most of the fisheries in the river drainage.

REPRESENTATIVE PETERSEN recalled the committee was told 200 salmon were found.

MR. SOUSA estimated there were 200,000. He said he suspected the fry go down the river and then come back to the clear water before the Susitna "starts turning ... glacier."

4:01:00 PM

CARL CROSMAN stated that the location of the Copper River Valley is not well known. He stated his support for small hydro projects which will provide power and reduce the consumption of fossil fuels, and the Copper Valley Electric Association (CVEA) project at Allison Creek is a good example. Mr. Crosman explained that this project will cost \$32 million and will save 1.7 million gallons of fuel annually. He pointed out that the first hydro plant in the state is still producing power using the original equipment after 118 years. Continuing with the savings projected over the lifetime of the project, he estimated savings of 200,600,000 gallons of fossil fuel, which means the project pays for itself every eight years and over its lifetime saves \$601 million. In addition, the project will provide 50-75 jobs lasting from 3 months to 2.5 years. Copper Valley Electric is not asking for a grant, but for a zero- or low-interest loan or matching grant, for an investment with a great return. This is a run-of-the-river hydro plant that does not include a dam, and has no downside. Public hearings with FERC have been held and the electric cooperative's 3,700 members have invested \$2 million. Mr. Crosman concluded that this is a needed proven project that will produce power at sustainable rates for an area that is not connected to the Railbelt.

4:06:16 PM

REPRESENTATIVE PETERSEN asked what ratepayers are currently paying for electricity.

MR. CROSMAN said \$0.39 cents per kilowatt. He added that the project would raise CVEA's non-fuel-consumption power by 73 percent.

4:07:12 PM

RICHARD LEO said he was a 30-year resident of Trapper Creek. He related his experience with the proposed South Denali Visitor Center in the Alaska Range which was moved to a different location as a result of public opposition. Mr. Leo concurred

with Ms. Heinze that the information about the dam needs to be more precise; furthermore, the level of information about the dam is minimal, and should not focus on whether the dam is viable, but on what is accurate about the pros and cons. He also agreed with the last speaker and Mr. Sykes that the opportunity for smaller-scale projects is more viable than one massive project which will cost over \$5 billion, and which could be delayed due to the level of public opposition. Sooner than we think, the remarkable increase in technology will make other forms of energy likely, and AEA and the legislature has a responsibility to encourage tidal, wind, solar with battery storage, and other alternatives. The nature of the Susitna dam project is so huge it will affect the economy of the valley, which is based on wilderness. In fact, this area is one of the most profound and accessible wildernesses and it should not be destroyed along with a great wild river. Mr. Leo concluded that the study of other alternatives, such as the gas pipeline to Fairbanks, should be pursued.

[4:12:20 PM](#)

SHERYL SALASKY agreed with Mr. Sykes's testimony. She expressed her strong opposition to HB 103, and said she was not impressed with AEA's presentation to the residents of Talkeetna. Ms. Salasky opined AEA has not completed sufficient research; furthermore, the format of the public presentation was frustrating for residents because their questions about the project, and their suggestions for alternative solutions, were not discussed thoroughly. She suggested a portion of the money for the dam project could be better spent developing multiple smaller alternative solutions. Ms. Salasky cautioned that AEA should not compare the Susitna project with the Bradley Lake Hydro project because her experience as a biologist taught her that the Susitna watershed is a more complex watershed system.

[HB 103 was heard and held.]

[4:17:07 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 4:17 p.m.