

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ENERGY

February 6, 2013
8:02 a.m.

MEMBERS PRESENT

Representative Doug Isaacson, Co-Chair
Representative Charisse Millett, Co-Chair
Representative Neal Foster
Representative Pete Higgins
Representative Shelley Hughes
Representative Benjamin Nageak
Representative Andy Josephson

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 39

"An Act relating to the power cost equalization program."

- HEARD & HELD

OVERVIEW (S): RENEWABLE ENERGY PROJECTS

- HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 39

SHORT TITLE: POWER COST EQUALIZATION

SPONSOR(S): REPRESENTATIVE(S) EDGMON

01/16/13	(H)	PREFILE RELEASED 1/7/13
01/16/13	(H)	READ THE FIRST TIME - REFERRALS
01/16/13	(H)	ENE, FIN
02/06/13	(H)	ENE AT 8:00 AM BARNES 124

WITNESS REGISTER

REPRESENTATIVE BRYCE EDGMON
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 39, as the sponsor of the bill.

TIM CLARK, Staff
Representative Bryce Edgmon
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As staff to the bill sponsor, answered questions during discussion of HB 39.

SARA FISHER-GOAD
Executive Director
Alaska Energy Authority (AEA)
Anchorage, Alaska

POSITION STATEMENT: Presented an overview and answered questions on renewable energy projects.

SEAN SKALING, Deputy Director
Alternative Energy & Energy Efficiency
Alaska Energy Authority
Anchorage, Alaska

POSITION STATEMENT: Testified during the PowerPoint presentation on Renewable Energy Projects.

ACTION NARRATIVE

[8:02:41 AM](#)

CO-CHAIR DOUG ISAACSON called the House Special Committee on Energy meeting to order at 8:02 a.m. Representatives Millett, Higgins, Hughes, Josephson, Nageak, and Isaacson were present at the call to order. Representative Foster arrived as the meeting was in progress.

HB 39-POWER COST EQUALIZATION

[8:03:24 AM](#)

CO-CHAIR ISAACSON announced that the first order of business would be HOUSE BILL NO. 39, "An Act relating to the power cost equalization program." He pointed out that policies should define the strategies and should govern the approach to affordable energy throughout Alaska. He opined that this approach should maximize opportunity, "and not just spends the dollars."

[8:05:40 AM](#)

REPRESENTATIVE BRYCE EDGMON, Alaska State Legislature, detailed that the cost of energy in outlying areas that were dependent on diesel had resulted in lower populations and a changing demographic in the villages. He explained that his approach to energy, "to keep an eye on the longer term," included a gas line, large hydroelectric projects, and alternative, renewable energy sources. He stated that it was also necessary to focus on the present, as villages "are really just sort of buckling in under the cost of energy." He opined that, even though the legislature had put hundreds of millions of dollars in energy programs during recent years, including weatherization, home energy rebates, renewable energy grant funds, and community revenue sharing, there was still more to do to bridge the gap. He declared that the natural gas line would be "the great equalizer for energy in Alaska." He pointed out that this would be supplemented by other forms of energy and renewable energy. He reported that Power Cost Equalization (PCE) started in the early 1980s with a concern for providing equal access to sources of power and, in 1984, it became more similar to the current program. He reported that the program peaked in 1999, when it provided 700 kilowatt hours each month to residential users, with additional provisions for commercial users. Since that time, the program had scaled back to 500 kilowatt hours for residential users and commercial users were removed, as the costs were exorbitant. He pointed out that there was now a PCE endowment fund of \$785 million allowing for 500 kilowatt hours monthly use for each residential user. He reported that the average residential monthly usage in many villages was about 330 kilowatt hours. He explained that proposed HB 39 would increase the residential user threshold to 600 kilowatt hours, and would allow commercial use for certain eligible small businesses.

[8:12:20 AM](#)

CO-CHAIR ISAACSON asked for the reason to increase the threshold when the current average monthly usage in the bush was only 330 kilowatt hours.

[8:12:30 AM](#)

REPRESENTATIVE EDGMON replied that the 330 kilowatt hours of use was an annual range dispersed over all the rural communities in Alaska, and had been presented in a March, 2012, report by the Institute of Social and Economic Research (ISER).

[8:13:11 AM](#)

REPRESENTATIVE FOSTER asked if the findings for use were lower on average because people could not afford the cost of energy use.

[8:13:47 AM](#)

REPRESENTATIVE EDGMON expressed his agreement, noting that the lower end of costs in the PCE program was 14 cents per kilowatt hour, which ranged up to \$1 per kilowatt hour.

[8:14:39 AM](#)

REPRESENTATIVE FOSTER asked if the proposed bill was an effort to do what could be done within the fiscal limitations.

[8:15:07 AM](#)

REPRESENTATIVE EDGMON, in response, said that a previous version of the proposed bill had been "tailored in large part to what the program was in 1999, although scaling back the commercial side of things." He reported that the current version of the proposed bill had been scaled back, after receiving the endowment and the demand forecasts. He pointed out that, although immediate effect of the program would require extra money, as the endowment grew, it would require less money. He stated that proposed HB 39 would only provide marginal benefits to consumers, and not the full relief of a gas line.

[8:16:20 AM](#)

CO-CHAIR ISAACSON reported that 60 percent of the cost in the Fairbanks region was thermal heating, not electricity, and he asked how this compared with rural communities.

[8:16:44 AM](#)

REPRESENTATIVE EDGMON replied that when fuel was flown in to a community, the cost was even higher than 60 percent. He explained that the proposed bill would increase the residential monthly benefit for kilowatt hours from 500 to 600, and it would reinstate a subsidy of 600 kilowatt hours of use to those small businesses which used less than 2400 kilowatt hours each month. He declared that it was the small businesses which would benefit from the proposed bill.

[8:18:54 AM](#)

CO-CHAIR ISAACSON noted that, prior to 2000, the Alaska State Legislature supported both commercial and residential use with PCE. He reported that since then, commercial use had been excluded and there had been "a huge out-migration" from the rural communities because employers could not keep the doors open.

[8:19:55 AM](#)

CO-CHAIR MILLETT reminded the committee that, as the price of oil dropped in 1999, oil revenues declined, and the state budget was forced to make this change. She stated that, as oil revenues were again going to be declining, it was necessary to be cognizant of the budget. She expressed her pleasure with the foresight of the legislature to fund an endowment, which would continue to produce opportunities for energy subsidies.

[8:21:33 AM](#)

REPRESENTATIVE EDGMON stated that rural legislators had always pointed to the symbiotic economic, cultural, and social relationship between hub communities and outlying villages. He acknowledged that this proposed bill would most likely not precede the cruise ship bill to the desk of the governor, but he expressed his hope for more debate and the opportunity to highlight the perilous situation existing in many communities. He opined that the challenge for affordable energy was now statewide.

[8:22:45 AM](#)

REPRESENTATIVE FOSTER asked what the average kilowatt usage was during the winter months.

[8:23:55 AM](#)

TIM CLARK, Staff, Representative Bryce Edgmon, Alaska State Legislature, offering his belief that the average rural usage was an annual calculation, declared that any small increment was a significant help to the residents.

[8:24:33 AM](#)

REPRESENTATIVE HUGHES asked how many Alaska residents were eligible, were they all in the "rural off the road system," and were Fairbanks residents eligible. She asked for a sample

utility bill after the inclusion of PCE. She asked for clarification for the logistics of payment with PCE.

[8:25:45 AM](#)

REPRESENTATIVE EDGMON suggested that the Alaska Energy Authority (AEA) would better explain the mechanics of the program and its impact. He shared that his summer usage did not reach 500 kilowatt hours, but, during the higher usage in winter, PCE supplemented a benefit for about 33 percent of his bill.

[8:26:45 AM](#)

REPRESENTATIVE HUGHES asked about the cost for the other 67 percent of the bill.

[8:26:52 AM](#)

REPRESENTATIVE EDGMON replied that, in Dillingham as there were more efficient generators and a more modern utility, the power rate of about 40 cents per kilowatt hour, without the PCE benefit, was lower than many of the smaller communities. He declared that the norm for many communities was in excess of 50 cents per kilowatt hour. In response to Representative Hughes, he said that his electric bill was more than \$300 per month in the winter.

[8:28:05 AM](#)

REPRESENTATIVE HUGHES asked again if PCE only extended to those communities off the road system.

[8:28:21 AM](#)

REPRESENTATIVE EDGMON opined that PCE extended to about 185 communities, but Fairbanks was not awarded PCE.

[8:28:40 AM](#)

CO-CHAIR ISAACSON clarified that the average costs in Fairbanks, Anchorage, and Juneau were used to calculate the PCE formula.

[8:29:03 AM](#)

CO-CHAIR MILLETT suggested a review to the history of PCE as it was a complicated formula. She declared that the endowment fund had changed the dynamics of the program from a general fund

expenditure to a percentage of market value from a fund, which avoided crisis management of the program.

[8:30:45 AM](#)

CO-CHAIR ISAACSON agreed to schedule the discussion of PCE and asked the committee to focus on the proposed bill.

[8:31:02 AM](#)

REPRESENTATIVE EDGMON directed attention to the attached fiscal note [Included in members' packets]. He reported that additional accounting personnel would be necessary, and that the additional funding necessary for the program was listed under Grants & Benefits. He pointed to the Fund Source and explained that both the general fund and the PCE endowment would fund the expanded program. He directed attention to page 2 of the fiscal note, paragraph 1 of "Costs Breakdown", and noted that residential use accounted for 33 percent of the additional \$20 million annual cost. Moving on to the second paragraph of "Costs Breakdown," he reported that the remaining 67 percent of the \$20 million annual cost would be allocated to eligible commercial customers.

[8:32:29 AM](#)

REPRESENTATIVE EDGMON pointed to page 3 of the fiscal note, which portrayed the endowment projection through FY 19.

REPRESENTATIVE JOSEPHSON asked to clarify that a larger store would not get any subsidy.

[8:35:04 AM](#)

REPRESENTATIVE EDGMON expressed his agreement.

[8:35:21 AM](#)

REPRESENTATIVE HUGHES asked whether the endowment alone could fund the program in the future, should the kilowatt hour usage not be increased.

[8:35:36 AM](#)

MR. CLARK, in response, said that the endowment fund projections and the cost estimates for increased residential usage indicated

that the endowment fund could cover the additional cost for the commercial subsidy.

[8:36:22 AM](#)

REPRESENTATIVE EDGMON suggested that the Alaska Energy Authority (AEA) could better clarify whether the endowment fund could fully support the PCE program without proposed HB 39.

[8:36:55 AM](#)

REPRESENTATIVE NAGEAK asked if the endowment generated any funding.

[8:37:16 AM](#)

REPRESENTATIVE EDGMON replied that the \$785 million endowment fund had been started in 2001 with money from major appropriations, which included the constitutional budget reserve and the railroad energy reserve. He reported that the endowment fund benefit amount was annually determined from a rolling three year average, and that the endowment was required by statute to earn 7 percent annually.

[8:38:13 AM](#)

CO-CHAIR MILLETT pointed out that the legislature was not prohibited from funding the endowment, and that the average cost for PCE could increase considerably, dependent on Railbelt costs.

[8:39:08 AM](#)

CO-CHAIR ISAACSON expressed his agreement that times were changing in Alaska, costs were increasing, and the effectiveness of the program could be diminished because of the high cost of energy in the larger communities.

[8:40:28 AM](#)

REPRESENTATIVE JOSEPHSON asked what the cost, or the percentage of usage, was for Toyo and Monitor stove use, as they were thermal heat related.

[8:41:12 AM](#)

REPRESENTATIVE EDGMON replied that he was not aware of this information, as the household information had not been found during their research.

[8:41:41 AM](#)

REPRESENTATIVE FOSTER asked to clarify that Representative Josephson was asking for the fuel consumption by Monitor or Toyo stoves. He shared that he owned a four-plex with electric heating and he offered to split the bill for an estimate.

[HB 39 was heard and held.]

OVERVIEW (S): RENEWABLE ENERGY PROJECTS

[Contains discussion of HB 39]

[8:42:36 AM](#)

CO-CHAIR ISAACSON announced that the next order of business would be an overview of Renewable Energy Projects and would continue the discussion of proposed HB 39.

[8:43:16 AM](#)

SARA FISHER-GOAD, Executive Director, Alaska Energy Authority (AEA), informed the committee that the endowment fund was the most significant funding source for the PCE program, and reminded the committee that the program funding included a combination of general fund and endowment fund. She explained that the annual distribution from the original \$400 million investment to the endowment fund was determined by a formula of three years for monthly average market value. She directed attention to page 3 of the Fiscal note for HB 39 [Included in members' packets]. She noted that, with a statutory requirement for a 7 percent annual return, the estimated value of the fund was difficult to project for fiscal note purposes. She referred to the document, "PCE Endowment Fund Real and Projected Balances and Appropriations," [Included in members' packets] which detailed assumptions for the fund earnings based on the use of five percent or seven percent for the program. She pointed out that a 5 percent usage with a 7 percent return for the endowment fund would closely match the targeted annual cost of \$40 million for the existing program. She clarified that this assumption did not include any changes from proposed HB 39.

[8:46:30 AM](#)

REPRESENTATIVE HUGHES asked if the addition of general funds was for payment to the increase in kilowatt usage or for investment into the endowment fund.

[8:46:58 AM](#)

MS. FISHER-GOAD, in response, said that the additional monies necessary to fund the proposed program were \$20.6 million, with \$14.3 million projected for the commercial customers, and \$6.3 million for residential customers.

CO-CHAIR ISAACSON said that this would conclude discussion on PCE, and discussion on the Renewable Energy Fund would now begin.

[8:48:35 AM](#)

MS. FISHER-GOAD presented a PowerPoint titled "Alaska Energy Authority Overview and Renewable Energy Fund Update." Introducing slide 2, "Reducing the Cost of Energy," she explained that the Alaska Energy Authority (AEA) mission was to reduce the cost of energy by providing technical and community assistance, investing in energy infrastructure, and diversifying Alaska's energy portfolio to meet the State of Alaska goal for 50 percent of electricity use from renewable energy by 2025. She moved on to slide 3, "Electricity Generation by Region," a chart of regional electricity generation in Alaska, and slide 4, "Energy Costs Vary," which showed the variance of energy and heating costs throughout the state. She pointed out that most of the high cost regions were lower populated areas.

[8:51:21 AM](#)

MS. FISHER-GOAD directed attention to slide 5, "Energy Policy Development and Coordination," and said that the Deputy Director, Gene Therriault, had taken the lead for coordination of energy policy and planning. She listed transmission planning and the liquid natural gas (LNG) trucking proposal as two important upcoming issues. She declared that AEA was working on regional energy planning, slide 6, utilizing the energy pathway report, which was a significant inventory of the variety of resources available to communities. She shared that utilizing regional energy solutions had developed this into a statewide planning process. She acknowledged that a solution for one region was not necessarily a statewide solution.

[8:53:19 AM](#)

CO-CHAIR MILLETT asked if the committee could be provided with the inventory of energy sources and costs for communities throughout the state.

[8:53:55 AM](#)

MS. FISHER-GOAD agreed to provide the report. She reported on slide 7, "Infrastructure and Large Projects," and listed the Bradley Lake Hydro-electric project which supplied 10 percent of the Railbelt electricity, and the Alaska Intertie, which connected Willow and Healy. She declared that AEA was working on the licensing for the Susitna-Watana hydro-electric project, and explained that a significant milestone had been met with completion of the 44 studies for the Federal Energy Regulatory Commission (FERC). She pointed to slide 8, "Rural Energy," and stated that the rural energy program was making progress on rural power system upgrades that helped improve the energy infrastructure in rural Alaska. She said that for the past five years the State of Alaska has provided AEA with capital dollars to continue these upgrades.

[8:56:15 AM](#)

REPRESENTATIVE NAGEAK asked if there was a memorandum of agreement (MOA) with the Railbelt utilities and AEA.

[8:56:36 AM](#)

MS. FISHER-GOAD said that there was an intertie operating agreement with those utilities that benefited.

[8:56:50 AM](#)

REPRESENTATIVE NAGEAK asked if there was any financial compensation.

[8:56:59 AM](#)

MS. FISHER-GOAD, in response, said that, although there was no debt or profit motive with AEA, the Railbelt utilities were responsible for the operation and maintenance of the intertie infrastructure.

[8:57:20 AM](#)

CO-CHAIR MILLETT pointed to the significant reduction in federal funding for the Denali Commission, and its effect on the program. She noted that there was now the question for how that federal funding would be replaced.

[8:58:15 AM](#)

MS. FISHER-GOAD offered to provide additional information regarding the Denali Commission. She noted the partnership between AEA and the Denali Commission for other ongoing programs.

[8:59:00 AM](#)

REPRESENTATIVE NAGEAK asked if the units pictured in slide 8, "Rural Energy," were barged up completely assembled to the communities.

[8:59:53 AM](#)

MS. FISHER-GOAD explained that much of the powerhouse construction was completed at the AEA Anchorage warehouse, before they were shipped to a rural community. She mentioned the AEA Power Project low interest loan program.

[9:00:27 AM](#)

SEAN SKALING, Deputy Director, Alternative Energy & Energy Efficiency, Alaska Energy Authority, jumped to slide 11, "AEA Programs," and explained that AEA had energy efficiency and alternative energy loan programs. Directing attention to slide 12, "Energy Efficiency and Conservation," he stated that this first step was the most important, prior to building large systems to provide energy to structures that were not energy efficient. He noted the two main AEA programs: Alaska Commercial Energy Audit Program and the Village Energy Efficiency program, slide 13. He pointed out that the AEA focus was for commercial, small industrial, and public buildings, while the Alaska Housing Finance Corporation (AHFC) coordinated residential buildings. He said the commercial energy audit program had a lot of potential with for lowering fuel consumption. He pointed to the Alaska Energy Partnership, slide 11, as the center of the outreach efforts to align messages and plan together for a significant impact at low cost. He stated that the partnership's objective was to attain the state goal of 15 percent energy efficiency improvement by 2020.

[9:03:25 AM](#)

CO-CHAIR ISAACSON directed attention to slide 11, and asked for more explanation to the coordination between State agencies.

[9:03:31 AM](#)

MR. SKALING, reflecting on the coordination between AEA and AHFC, said this was about energy efficiency. He said that there was not as much end use energy efficiency work with Department of Natural Resources (DNR). He pointed to the difference between the equipment and the system providing it. He offered an example of the rural powerhouse program which provided supply-side energy efficiency. He said that the Renewable Energy Fund did coordinate with DNR for an extensive review process of each applicant. He noted that there were 122 communities which received American Recovery and Reinvestment Act of 2009 (ARRA) funding. He stated that efficiency programs had immediate savings, and that the loan programs were often paid through these savings.

[9:05:53 AM](#)

CO-CHAIR ISAACSON commented that these loans only worked when there were sufficient funds to pay the original debt. He stated that "in a real world" many people did not qualify for loans.

[9:06:25 AM](#)

MR. SKALING expressed his agreement that this was a hurdle for commercial and small commercial buildings. He concluded that energy efficiency had the most effective return within energy programs, as the dollar savings went "straight to the end user." Directing attention to slide 13, he explained that this "whole-village retrofit" to reduce the cost of energy included energy audits on many public buildings. He moved on to slide 14, "AEA Programs," and spoke briefly about the Emerging Energy Technology Fund, which was relatively new and was now funding 16 competitively bid projects. Addressing slide 15, "AEA Programs," he said that the Emerging Energy Technology Fund was a stepping stone to the Renewable Energy Fund, which focused on generating cost effective energy. He reported that this included renewable energy, energy efficiency technology, energy storage, and energy transmission.

[9:10:00 AM](#)

MR. SKALING, in response to Representative Hughes, replied that the balloon wind turbine was a project which had been funded in Alaska, though the exact location was still being researched.

[9:10:21 AM](#)

MR. SKALING reported that the Emerging Energy Technology Fund was a valuable program which was just beginning. He declared that the Renewable Energy Fund projects were competitive and were lowering costs. He explained that this was a recommendation program, with a long vetting process, and that it was currently in Round 6.

[9:12:13 AM](#)

REPRESENTATIVE HIGGINS asked if applicants had to show that energy could be added to the grid.

[9:12:45 AM](#)

MR. SKALING explained that the applicant was required to own the energy and have a power sales agreement, if they were an independent power producer. He reported on slide 16, "Renewable Energy Fund: Evaluation Process," and said that this process had an intensive four stage review, which included Department of Natural Resources, AEA, independent economic evaluations, ISER, and subject matter experts.

[9:13:55 AM](#)

CO-CHAIR ISAACSON asked for clarification on the global application with regard to other projects of Stage 4, "Regional Spreading."

[9:14:35 AM](#)

MR. SKALING explained that the recommendations were presented to the legislature in its report. He said that the Stage 2 technical score criteria reflected the economic feasibility, and Stage 3 reported the scoring utilizing the statutory guidelines, with the cost of the energy as the most heavily weighted guideline factor. He described that the recommended applications were geographically spread by formula, Stage 4, which reviewed the underrepresented energy regions of the state in the fund.

[9:16:33 AM](#)

REPRESENTATIVE HUGHES asked for clarification of the ISER review.

[9:16:59 AM](#)

MR. SKALING explained that AEA hired economic firms to review and analyze the projects, and then ISER reviewed and verified these findings.

[9:17:54 AM](#)

CO-CHAIR MILLETT reported that she would provide to the committee the Legislative Audit Division recommendations on House Bill 152 and House Bill 306, which offered background information to the expectations and evolution for the renewable energy fund.

[9:18:45 AM](#)

REPRESENTATIVE JOSEPHSON asked if the spreadsheet was included in the January report.

[9:19:13 AM](#)

MR. SKALING, in response to Representative Josephson, said that it was included in that report. He concluded by explaining that the projects were forwarded, after Stage 4, to the Renewable Energy Fund Advisory Committee and then those recommendations were provided to the Alaska State Legislature by the tenth day of the legislative session. He moved on to slide 17, "Renewable Energy Fund Projects," a map showing the diverse regional spread of the projects in Rounds 1-5. He pointed to slide 18, "Construction Projects," which depicted construction projects in Alaska, either underway or completed.

[9:20:20 AM](#)

REPRESENTATIVE JOSEPHSON asked if the projects were only on state land.

[9:20:30 AM](#)

MR. SKALING replied that the projects could be on state, federal, or private land, as long as there were rights to the land.

[9:20:40 AM](#)

REPRESENTATIVE JOSEPHSON asked about the process on federal land.

MR. SKALING stated that there was a lot of federal scrutiny.

[9:20:49 AM](#)

MS. FISHER-GOAD clarified slide 18, explaining that there was an analysis for recommendation and, then the follow up was the grant process. She pointed out that the construction projects required site control by the applicant.

[9:21:27 AM](#)

MR. SKALING pointed out that the process compared projects side by side.

[9:22:26 AM](#)

REPRESENTATIVE HUGHES returned attention to slide 18, and asked if the majority of interest and applications had been for wind projects.

[9:22:38 AM](#)

MR. SKALING explained that the wind projects tended to be quicker to construct. He pointed out that the hydro projects were more expensive and took "a long time to go step by step to get to construction."

[9:23:12 AM](#)

CO-CHAIR ISAACSON asked if hydro projects were being removed from federal funding opportunities.

[9:23:31 AM](#)

MS. FISHER-GOAD observed that more preliminary work had been done with federal funds for "shovel ready" wind projects, as there was often less of a permitting process than for hydro projects. She expressed agreement that it was a longer process to permit and develop a hydro project in Alaska, hence the significant development of wind projects. She pointed out that a wind project could be financially scaled up or down depending

on the number of turbines, but a hydro project was subject to the spending caps on the AEA projects.

[9:25:43 AM](#)

CO-CHAIR ISAACSON opined that strategies were created just to complete projects, when in fact the goal and the policy should direct the strategies of the projects. He suggested that a goal of renewable, sustainable, long term, and low cost energy should be headed by hydro projects wherever possible, even if wind projects were easier and faster to facilitate. He stated that wind projects always required diesel to ensure there was a reliable source of energy.

[9:26:47 AM](#)

MS. FISHER-GOAD, in response to Co-Chair Isaacson, explained that the Renewable Energy Fund development of projects was one strategy which the State of Alaska had funded AEA to address. It was designed for local projects and was only one strategy. She agreed that another strategy through AEA was the development of hydro projects. She shared that the primary goal of AEA, when established in 1976, was to develop energy projects, but that the Renewable Energy Fund was only one strategy for energy projects, and it was for development using local resources.

[9:28:52 AM](#)

CO-CHAIR MILLETT said that not every community would have access to hydro power. She declared that the idea of the program was to find renewable resource projects that would work for each specific community. She pointed to the recognition that, as not every area would have the same type of renewable energy, it was necessary to find what was best for each community. She stated that the realistic goal was to replace diesel with a reliable source of energy.

[9:31:02 AM](#)

CO-CHAIR ISAACSON expressed his agreement that community goals should have integration with the region, and that the goal for lower cost energy projects should be strategic, not reactive. He reiterated that "the policy should inform our projects, not our projects our strategies."

[9:31:41 AM](#)

REPRESENTATIVE HUGHES asked what the goal was for renewable energy for the state, and whether hydro projects were considered as renewable projects.

[9:32:08 AM](#)

MS. FISHER-GOAD replied that the goal was for 50 percent renewable energy use by 2025. She said that there were aspects of federal funding for renewable projects which did not include hydro as a renewable resource.

[9:33:12 AM](#)

REPRESENTATIVE HUGHES asked to clarify that the definition had not been changed, but that there was not the funding.

[9:33:15 AM](#)

MS. FISHER-GOAD replied that, although it was dependent on the program, federal programs did not recognize large hydro projects as a renewable energy resource. She noted that there were subtleties for the requirements of certain loan programs and the State of Alaska did urge the federal government to recognize hydro as a renewable resource.

[9:34:10 AM](#)

REPRESENTATIVE HUGHES asked which form of renewable resource had "the most value, as far as bang for the buck."

[9:34:31 AM](#)

MS. FISHER-GOAD, in response to Representative Hughes, referenced Kodiak as the poster community for the Renewable Energy Fund. She noted that Kodiak had successfully developed wind and hydro projects. She said that different regions could take appropriate advantage of the surrounding resources.

[9:35:57 AM](#)

REPRESENTATIVE NAGEAK suggested a discussion for the use of methane gas for power.

[9:36:59 AM](#)

CO-CHAIR ISAACSON recommended that committee members read "Pathways," an AEA energy book.

[9:37:22 AM](#)

CO-CHAIR MILLETT declared the importance for committee members to familiarize themselves with both House Bill 306 and House Bill 152, as it was necessary to have an historical perspective.

[9:37:56 AM](#)

REPRESENTATIVE JOSEPHSON asked for an explanation to the federal government not recognizing hydro as a renewable resource.

[9:38:31 AM](#)

MS. FISHER-GOAD, in response to Representative Josephson, said that she did not want to speculate for reasons behind federal decisions although, she pointed out, there were federal financial resources available for hydro projects. She offered her belief that there was a federal preference for solar and wind projects over hydro projects. She said that the FERC process for Susitna-Watana Hydroelectric project required a great deal of work.

[9:39:59 AM](#)

CO-CHAIR MILLETT explained that the federal government did not recognize hydroelectric as a renewable resource because of the effect of dams on land and fishing. She alluded that poor project management when planning for environmental impacts in the Lower 48 had led to the removal of hydro as a renewable resource. She said that the high lake dams in Alaska were different than the damming of rivers in the Lower 48, and that in Alaska there was an insignificant impact to the environment and the fishing industry. She acknowledged that the federal government recognized that "Alaska is different" and was receptive to funding hydro projects and expediting the FERC process in Alaska. She stated that Alaska was not damming rivers.

[9:41:57 AM](#)

REPRESENTATIVE JOSEPHSON clarified that Alaska was not yet damming rivers.

CO-CHAIR MILLETT replied that this was not a fair comment, as Alaska was "pretty cognizant of not, we're pretty good at

determining that we won't sacrifice one resource for another resource."

[9:42:04 AM](#)

MR. SKALING continued with slide 20, "Independent Program Review," and said that AEA had sought a third party review on the Rural Energy Fund (REF) during the past year, and those two reports had been published. He pointed to slide 21, "Economic Benefits," which reflected the net present value costs versus the net present value benefits for the first 62 projects of the program that made it to the construction phase. He noted the high profit. He said that diesel equivalent fuel savings were at or above projection and would continue to rise, slide 22, "Avoided Fuel." He projected slide 23, "PCE Communities," which reflected the impact of the REF on Power Cost Equalization (PCE) in communities. He stated that the largest impact of REF benefit had been for commercial buildings, which were PCE ineligible, and that the State of Alaska was also a beneficiary of the program. Speaking to slide 24, "Lowering the Cost of Energy," he compared the total cost of Diesel Generation for twenty years versus a wind project. The wind project cost was reflected with Renewable Energy Fund (REF) and without REF capital costs. The REF support for wind projects had lowered and stabilized the costs compared to diesel. Slide 25, "Community Highlight: JBER," listed the landfill-gas-to-energy project which allowed the methane to be regulated and not escape into the environment. The project now had the methane collected and directed through gas fired units to produce about 26 percent of the JBER energy needs. Slide 26, "Delta Junction," depicted the Delta Junction School biomass project for heat, which used the wood chips from a local saw mill, saving \$153,000 and 53,000 gallons in heating for the school during the first winter. He pointed out that the system was low maintenance, and was being considered for expansion into the elementary school. Slide 27, "Atka," portrayed a small hydro project that was generating energy to provide 100 percent of the community energy needs.

[9:48:39 AM](#)

MR. SKALING directed attention to slide 28, "Round 6 Recommendations," which listed hydro projects as high value. He clarified that ideas went through a feasibility study, reconnaissance, and final design before moving into construction.

[9:50:16 AM](#)

MS. FISHER-GOAD pointed to slide 29, "Active Energy Projects," which listed the renewable energy programs and other projects that were active, alongside the funding which had been provided beyond the Renewable Energy Fund. She concluded with Slide 31 "Projects Under Construction," a map of Alaska depicting the projects under construction during the previous summer, and slide 31, "By the Numbers," which showed the FY 14 summary and budget request.

[9:52:02 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 9:52 a.m.