

ALASKA STATE LEGISLATURE
SENATE SPECIAL COMMITTEE ON IN-STATE ENERGY

April 8, 2014
7:30 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator John Coghill, Co-Chair
Senator Peter Micciche
Senator Dennis Egan
Senator Bill Wielechowski

COMMITTEE CALENDAR

OVERVIEW: ALASKA ENERGY AUTHORITY

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

SARA FISHER-GOAD, Executive Director
Alaska Energy Authority
Anchorage, Alaska

POSITION STATEMENT: Provided an overview of the Alaska Energy Authority.

EUGENE THERRIAULT, Deputy Director
Energy Policy and Outreach
Alaska Energy Authority
Anchorage, Alaska

POSITION STATEMENT: Provided an overview of the Alaska Energy Authority.

ACTION NARRATIVE

7:30:49 AM

CO-CHAIR CLICK BISHOP called the Senate Special Committee on In-State Energy meeting to order at 7:30 a.m. Present at the call to order were Senators Coghill, Micciche, Egan, and Co-Chair Bishop.

OVERVIEW: ALASKA ENERGY AUTHORITY

[7:31:41 AM](#)

CO-CHAIR BISHOP welcomed the Alaska Energy Authority (AEA) to the committee meeting. He announced that AEA would present an overview of Alaska's long term energy plan, the Fairbanks gas build-out, and the natural gas trucking plan.

[7:33:17 AM](#)

SARA FISHER-GOAD, Executive Director, Alaska Energy Authority, Anchorage, Alaska, set forth that AEA has been viewed as the state's energy department. She said the AEA overview will allow legislators to share what they may like to see and in turn what AEA would like to see for improved program coordination.

She addressed page 2, "Electricity Generation by Region." She said Alaska is a very large state with a population that is spread out. She noted that conversely, a significant Railbelt population concentration exists for energy generation and usage. She set forth that AEA is a statewide agency that addresses the high energy costs and does not exclusively focus on the Railbelt.

[7:35:47 AM](#)

She called attention to page 3, "Energy Costs Vary." She pointed out that Alaska has a very significant regional cost disparity regarding diesel fuel, natural gas, and hydro-electrical energy usage.

She noted page 4, "Reducing the Cost of Energy." She set forth that AEA's primary mission is to reduce the cost of energy through planning and policy. She said AEA invests in the energy infrastructure and diversifies the energy portfolio with its Renewable Energy Grant Fund (REGF), and noted larger projects such as the Susitna-Watana Hydroelectric Project (SWHP). She revealed that AEA provides technical and community assistance by working with communities to diversify their portfolios and take advantage of REGF.

[7:37:27 AM](#)

She addressed page 5, "What Does Energy Include," pointing out that AEA has a lot of programs that deal with energy issues. She noted that energy means different things to different people. She stated that energy includes "efficiency" and "transportation." She remarked that the Alaska Department of Health and Social Services has a public assistance energy program called Low Income Home Energy Assistance Program

(LIHEAP) that address specialized public assistance. She added that the Alaska Housing Finance Corporation (AHFC) has a mature energy efficiency program that offers weatherization rebates to homeowners.

MS. FISHER-GOAD noted page 6, "Energy Planning and Policy." She explained that AEA statutorily acts as a clearinghouse that manages the state's energy related functions and programs. She added that AEA monitors the state's energy goals, coordinates with other agencies, and provides project analysis.

She introduced Gene Therriault as an AEA associate and board member for the National Association of State Energy Officials (NASEO). She explained that Mr. Therriault works with other state energy officials regarding national energy issues.

[7:40:44 AM](#)

EUGENE THERRIAULT, Deputy Director, Energy Policy and Outreach, Alaska Energy Authority (AEA), Anchorage, Alaska, explained that his association with NASEO allows him to monitor federal-level policies that could affect Alaska. He noted that NASEO recently sent a letter to the U.S. Environmental Protection Agency (EPA) to address pending carbon dioxide emission regulations to the Clean Air Act.

MS. FISHER-GOAD addressed page 7, "Energy Program Coordination." She set forth that AEA will strive to enhance program coordination with the following:

- Legislature,
- Governor's Office,
- AEA Board of Directors,
- Federal Agencies,
- State Agencies,
- AHFC-Office of Management and Budget,
- Independent Power Producers (IPP), and
- Non-government organizations.

She noted that two and a half years ago, the AEA board of directors held a work session to address opportunities with IPPs and how they fit in with electric utilities to bring additional power to the state. She added that AEA's involvement with non-government organizations includes the Alaska Energy Efficiency Partnership (AEEP). She explained that AEA is leading the effort with AEEP to help put forward a coordinated effort on energy efficiency programs. She added that AEA is working with the

Alaska Regional Development Organization (ARDOR) to develop regional energy plans and reduce energy costs.

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SENATOR WIELECHOWSKI joined the committee meeting.

MS. FISHER-GOAD noted AEA's involvement with federal agencies as follows:

- Federal Emergency Management Agency (FEMA) regarding the Galena flooding response,
- Federal Energy Regulatory Commission (FERC) on SWHP, and
- U.S. Department of Agriculture-Rural Development Utilities Programs (USDA-RDUP) to address potential financing opportunities.

She said USDA-RDUP is a potential funding source for SWHP and the Bradley Lake Hydroelectric Project (BLHP). She explained that the Bradley Project Management Committee, which is a Railbelt utilities management committee, is pursuing the Battle Creek Diversion Project (BCDP). She specified that BCDP will enhance BLHP and provide more energy. She summarized that AEA acts as a clearinghouse for data, information, and coordination between various agencies.

She explained page 8, "Alaska Energy Programs." She presented a flowchart that shows AEA developed with the Alaska Office of Management and Budget to monitor funding sources, energy generation programs, and state agency loan programs.

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She referred to page 9, "Energy Planning and Policy." She said AEA is working on various energy plans that include work that is anticipated for the in-state gas pipeline from SB 138. She pointed out that possible opportunities exist in Southeast Alaska for liquefied natural gas (LNG). She noted a recent AEA presentation at the Southeast Conference that addressed opportunities for using LNG in Southeast and coastal communities. She specified that WesPac Midstream LLC has been looking for opportunities to bring natural gas to some of Alaska's coastal communities. She said AEA has put together some analysis on alternative energy opportunities from WesPac.

[7:49:24 AM](#)

SENATOR MICCICHE asked if the results of the study are available.

MS. FISHER-GOAD answered yes. She noted that the Southeast Conference presentation will be provided to the committee.

SENATOR MICCICHE asked if Southeast's hydroelectric capacity is somewhat limited and if there is additional capacity on the drawing board.

MS. FISHER-GOAD replied that additional capacity has been identified through the Southeast Alaska Integrated Resource Plan (SEIRP). She added that there are some project viability challenges due to smaller load areas. She noted that the Southeast Alaska Power Agency (SEAPA) has received a call for additional power. She added that SEAPA is looking at raising the Swan Lake Hydro Facility to provide additional energy. She noted that Metlakatla is looking at additional projects that include a possible intertie to the SEAPA region. She added that the Petersburg Intertie is still being evaluated.

SENATOR MICCICHE pointed out that the Legislature was approached by someone who is interested in privately investing in hydroelectric projects. He asked if there is a way to separate a place to welcome IPPs. He noted that the Railbelt utilities' arms are not quite as open.

MS. FISHER-GOAD replied that AEA's intent is to continue a dialog and be open to opportunities. She noted an issue with transmission limitations and a need for a uniform tariff system from the Railbelt utilities for IPPs.

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MR. THERRIAULT said AEA supported IPPs to answer SEAPA's call for extra power over the next 10 to 20 years. He explained that AEA evaluated SEAPA's process to make sure it was fair and truly open for IPPs to bid and have their power compared against everybody else.

He revealed that AEA has tried to develop open-access language and reliability standards for Railbelt IPPs. He said AEA's intent has been to establish fair and open rules that the RCA has reviewed and sort-of-blessed. He noted that the state owns 170 miles of the Railbelt transmission system, and pointed out that the challenge stems from the Railbelt utilities owning the transmission system's remaining percentage.

[7:55:03 AM](#)

SENATOR MICCICHE asked if there is value in separating the IPP legislation between areas that do not have state-owned

transmission so that it opens up Southeast Alaska for earlier consideration where less friction exists.

MR. THERRIAULT replied that the challenge for IPPs in Southeast pertains to figuring out the avoided cost. He explained that ascertaining the avoided cost is complicated and the Regulatory Commission of Alaska's (RCA) cost scrutiny has value. He referred to the Railbelt and noted that IPPs support a better governance system where a tariff is established.

SENATOR COGHILL pointed out that IPPs have approached him regarding the RCA rule making language that makes it difficult to ascertain the avoided cost. He noted that he is drafting legislation to address RCA's rule making language.

MR. THERRIAULT surmised that the RCA would be open to addressing their current rules interpretation and assist in future legislation.

SENATOR COGHILL explained that his intent is to address the RCA's rule making ambiguity. He noted that he has reached out to Alaska Power Association's members for comments. He explained that the current law recognizes Alaska's unique circumstance, but the law is protective of closed markets and does not work well in competing markets. He summarized that a successful system requires government structure, operating structure, and open access.

[7:59:20 AM](#)

SENATOR MICCICHE set forth that the key to Alaska's energy success is going to be a framework mix of private sector, public sector, and traditional utilities. He offered to participate in the process.

MR. THERRIAULT noted the issue with the current transmission policy and the intent for the system to be open to private sector investment in transmission as well.

SENATOR EGAN addressed issues in Southeast where IPPs are trying to form various hydroelectric projects, but there is no transmission. He explained that the IPPs are asking for the state to be a partner in constructing transmission lines. He asked if AEA has addressed state participation in transmission.

MR. THERRIAULT answered no. He addressed the need to evaluate transmission investment needs across the state

MS. FISHER GOAD added that AEA had done a transmission cost-benefit analysis for Southeast. She said cost is an issue due to long distances and small loads. She noted that additional processing or mining development would be a game-changer for added energy infrastructure in Southeast.

[8:02:44 AM](#)

MR. THERRIAULT addressed the need to establish open access rules for present and future transmission.

SENATOR EGAN asked how a government participates in energy needs for a mine. He noted that a Southeast mine has access to a private utility's excess power and a second mine cannot afford a transmission line to receive power at their location.

CO-CHAIR BISHOP pointed out the similar challenges with incremental versus rolled-in rates for gas.

MR. THERRIAULT agreed that there are similarities. He pointed out the challenge in addressing a mine's rights versus open access when a mine underpins a 50 mile extension. He noted that a mine's economic activity brings a line into existence, but a transmission line is a very long term asset. He said if a state has granted a right-of-way across state land, transmission line operation should be the same as a pipeline where access, rates, and costs are specified.

[8:05:10 AM](#)

CO-CHAIR BISHOP asked him to confirm that AEA's goal is to get power, whatever source it is, to Alaskans at an affordable price. He noted a conundrum where a Southeast community embraced an energy efficiency program that resulted in higher utility rates.

MR. THERRIAULT conceded that fixed costs do not go away and the end result requires the costs to be spread over fewer kilowatts. He stated that the RCA must take into account the scenario Co-chair Bishop cited. He pointed out the intricacies that the RCA must consider between consumer pricing and system reliability.

[8:08:13 AM](#)

MS. FISHER-GOAD called attention to page 10, "Investing in Energy Infrastructure." She remarked that one of the ways to reduce the cost of energy is to invest in Alaska's energy infrastructure. She pointed out AEA's generation assets: BLHP, BCDP into BLHP, and SWHP.

MS. FISHER-GOAD reiterated that AEA's intent is to reduce energy costs and pointed out a conundrum that is created for IPPs that is difficult for AEA to work around. She explained that IPPs are looking to sell their power at the avoided cost which is below what a utility purchases power for. She called attention to AEA's REF that statutorily requires eligible IPPs and entities to sell power at cost, not at a profit or avoided cost. She specified that grant-funds used to support projects must be used to directly benefit rate payers to reduce the cost of energy. She stated that she welcomes an opportunity to have a discussion with the senators to address the previously explained issue.

She called attention to SWHP and explained that AEA has acquired SWHP's land access agreements with the Cook Inlet region village corporations and the Cook Inlet Region, Incorporated (CIRI) to finish environmental work that is required to support a license application. She disclosed that SWHP had a successful 2013 field season. She pointed out that SWHP's 50 year average power cost at \$0.07 per kilowatt hour (kWh) has been confirmed by a financial consultant. She explained that the \$0.07 cost per kWh confirmation matches the initial projection when SWHP was first approved in 2011. She said AEA is in the middle of the FERC licensing process with completion expected after the 2015 field season.

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She presented a video on SWHP's design.

CO-CHAIR BISHOP asked if SWHP's land access is totally complete with the Native corporations.

MS. FISHER-GOAD replied that access to finish SWHP's environmental work is complete. She said the initial agreement starts a long term partnership with CIRI and the village corporations for SWHP.

She revealed that SWHP's road access has not been determined. She added that SWHP's roller-compacted concrete design will allow for water to be drawn at different temperatures, a valuable attribute for habitat mitigation. She pointed out that an additional SWHP design version includes an additional spillway trail. She noted that SWHP design will include 3-200 megawatt turbines.

[8:16:50 AM](#)

CO-CHAIR BISHOP asked to meet with SWHP's engineer for an update on the roller-compacted concrete process. He noted that Moose

Creek, Hoover, and Grand Coulee dams were all formed-and-poured concrete designs.

MR. THERRIAULT commented that the roller-compacted process allows for a special mix concrete to be placed more quickly with a shorter curing time. He noted the challenge with concrete heat dissipation with dam construction.

CO-CHAIR BISHOP added that the Hoover dam is still cooling.

MS. FISHER-GOAD addressed SWHP's present design rendition and noted that the state's current design and licensing investment would ultimately be paid back.

She addressed page 11, "Investing in Energy Infrastructure." She pointed out that AEA owns the Alaska Intertie. She added that AEA commissioned a transmission study that identified the additional transmission that would need to be done.

[8:20:23 AM](#)

MR. THERRIAULT detailed that the Alaska Intertie upgrade would require \$900 million in priority transmission projects:

- Un-constraining BLHP: \$402.2 million,
- Southcentral substations: \$20.5 million, and
- Northern Intertie projects: \$480.7 million.

He summarized that annual projected savings would be \$140 to \$240 million.

CO-CHAIR BISHOP asked how much electricity would be used for the proposed LNG plant for the Alaska natural gas pipeline project.

MR. THERRIAULT answered that he did not know.

SENATOR MICCICHE commented that a lot of electricity would be used at the proposed LNG plant.

CO-CHAIR BISHOP commented that the Alaska Intertie upgrades will be required even if the Railbelt loses two mines.

MR. THERRIAULT answered yes. He surmised that the Railbelt utilities would want to look at a huge industrial load hookup so that they are not just serving their own needs. He explained that the fixed costs for the overall system could be spread over the increased power being sold. He summarized that the end result would lower the Railbelt's electrical rates.

[8:23:43 AM](#)

MS. FISHER-GOAD called attention to page 12, "Investing in Energy Infrastructure." She noted that in addition to AEA's assets and Railbelt development, AEA has a very robust rural energy program to help develop energy infrastructure in rural Alaska. She pointed out that AEA has built fuel tank farms and powerhouses in rural Alaska. She said AEA continues to receive rural energy funding from the state as well as the Denali Commission.

She addressed page 13, "Investing in Energy Infrastructure." She explained that outside of larger projects, the Power Project Fund (PPF) is used for small-scale rural electric power facilities. She detailed that PPF loans are used to buy a new engine or enhance power systems. She noted that AEA is pleased with the current interest and future possibilities for the PPF loan program. She added that the energy policy that was passed in 2010 also included that the PPF be used as the primary funding source for additional projects.

[8:25:54 AM](#)

She noted page 14, "Diversifying Alaska's Energy Portfolio." She said there is a real desire from the policy that was passed to diversify Alaska's energy portfolio. She explained that statewide generation varies for different reasons. She noted that pending legislation from SB 183 will extend the Emerging Energy Technology Fund Grant Program (EETFGP). She noted that grants from EETFGP and the Denali Commission are under consideration for possibly funding 22 projects.

She addressed page 15, "Diversifying Alaska's Energy Portfolio." She called attention to a unique project with Altaeros Energies. She explained that Altaeros' unique wind energy turbine does not require a tower and could benefit areas where tower construction would be difficult. She stated that AEA is excited to see continued development in the Altaeros program.

[8:27:37 AM](#)

She pointed out page 16, "Diversifying Alaska's Energy Portfolio." She said the REGF has been through six project-rounds with a seventh round under consideration. She explained that the evaluation and vetting process has been very good for project development. She noted that 13 million gallons of diesel fuel or natural gas equivalent was displaced in 2013.

MS. FISHER-GOAD said there have been discussions on what is required to finish REGF projects that AEA has started. She recommended that the REGF program be used more upfront for project with different financing opportunities for a project's construction. She remarked that further discussions should occur to either enhance REGF or just finish what has already been started. She noted that REGF primarily addresses smaller projects. She remarked that additional heat and or heat with power projects will continue to be developed for Alaska's smaller communities.

[8:29:52 AM](#)

CO-CHAIR BISHOP noted the 13 million gallon equivalent replacement and pointed out that approximately \$60 million was saved. He asked if AEA had formulated a cost-benefit ratio. He remarked that the \$60 million in savings was just for one year and over time the savings added up to "real money."

MS. FISHER-GOAD replied that there is a three-to-one benefit-to-cost savings when using the diesel equivalent price.

MR. THERRIAULT remarked that analyzing savings over time was an important aspect. He asserted that renewable energy benefits may not show immediate results, but benefits will grow larger over time.

CO-CHAIR BISHOP added that the liability for storing an additional 13 million gallons in rural Alaska was taken out of the equation.

[8:31:45 AM](#)

SENATOR MICCICHE noted that Alaska was meeting half of the goal for renewable energy by 2025. He asked if meeting the renewables goal by 2025 was realistic.

MS. FISHER-GOAD answered that a significant project will be required to attain the 2025 goal. She pointed out that 77 percent of Alaska's generation and demand is in the Railbelt. She said SWHP would have to come into play for the portfolio to meet its goal.

SENATOR MICCICHE addressed connectivity within the context of Alaska's long term energy plan. He noted that an energy plan probably includes transmission infrastructure that may not happen for a very long time due to Alaska's small population and remote areas. He rhetorically inquired how regions will be logically grouped. He set forth that a perfect-world energy plan

has connectivity, transmission, and a reasonable mix of renewables and traditional hydrocarbons. She said the energy plan should address where the state is and where the state is going. He added that a lot of little project will have to happen in the meantime for the plan to ultimately reach its goal. He conceded that the diesel-default model is almost never the right choice. He said he is interested to see how AEA's evaluation gets the state from where it is to where it is going.

[8:33:45 AM](#)

MS. FISHER-GOAD replied that Alaska's rural powerhouses amount to 190 micro-grids. She noted that diesel fuel was addressed at a recent Rural Energy Conference where the focus was on developing systems that were efficient and reliable. She conceded that energy alternatives will be looked at in the long term, but noted that diesel systems used in the short term must be appropriately supported in rural Alaska.

CO-CHAIR BISHOP asked if AEA will encourage the use of dual-fuel compatible engines to allow for using LNG at a lower price.

[8:36:55 AM](#)

MS. FISHER-GOAD answered yes. She explained that SB 138's fiscal note directs AEA to look at conversion costs and make sure regions are prepared to take advantage of different fuels.

MR. THERRIAULT added that AEA is looking at growing transmission where it makes economic sense and developing micro-grids in sub-regions where transmission is not geographically feasible.

[8:38:44 AM](#)

SENATOR MICCICHE noted that he sympathizes with regions that depend on traditional energy generation. He pointed out that countries with similar challenges have moved to distributing alternative fuels like LNG. He said Alaska is 40 years behind Japan and Norway. He pointed out that Australia just started 15 years ago. He noted that from a big-picture standpoint, localized natural gas production exists with no market value, but certainly has the shallow-well potential to run a village of 200. He said local exploration may take villages off diesel forever. He asserted that Alaska has had a tendency to wait for exploration and production by companies that make money off producing energy. He said his suggestion is a different model where there may not be any profit other than the actual power and heat that becomes available.

MR. THERRIAULT agreed that regional planning entails looking at localized resources.

SENATOR MICCICHE called attention to the danger of the 50 percent renewable goal by 2025. He asked that other projects not be pushed aside that may significantly improve local energy economics. He asserted that his goal is to bring down energy prices that may or may not fit within the 2025 renewable goal.

[8:41:30 AM](#)

SENATOR EGAN noted his concern for not reducing energy prices in rural Alaska. He said smaller communities will not be able to develop an economy without lower energy costs. He addressed prior discussions on nuclear power and asked if AEA continued to pursue nuclear power as an option.

MS. FISHER-GOAD replied that AEA had commissioned a study where the potential for nuclear power was evaluated. She said AEA continues to monitor nuclear power as a potential energy source in the future.

MR. THERRIAULT added that when the energy policy was put into place in 2010, the Legislature went through the statutes and removed a lot of roadblocks to nuclear power. He noted that micro-nuclear technology continues to be developed. He remarked that current micro-nuclear technology is not quite there for Alaska applications.

[8:43:35 AM](#)

MS. FISHER-GOAD addressed page 17, "Energy Efficiency and Conservation." She said the other program that AEA manages is energy efficiency and conservation. She pointed out that another goal is the 15 percent reduction in energy use by 2020. She pointed out that the Alaska Housing Finance Corporation (AHFC) deals with housing and residential uses in addition to managing a public building loan fund. She explained that AEA focuses on commercial buildings, rural public buildings, industrial facilities, and electrical efficiency on the generation side. She said AEA has a significant amount of statewide outreach and education with AKEnergyEfficiency.org. She added that AEA has a significant coordinated effort with many entities that are interested in energy efficiency.

MS. FISHER-GOAD said there has been significant savings through energy efficiency measures as follows:

- 1.5 million gallon replacement per year,

- Village Energy Efficiency Program (VEEP) received 85 applications in 2013,
- 7 communities were VEEP funded,
- 30 cent payback for every dollar invested,
- Commercial Energy Audit Program assists commercial building owners in realizing energy savings, and
- Department of Commerce's small loan program assists commercial building owners in taking advantage of private sector financing to make building improvements.

She addressed Senator Micciche's comment concerning the 50 percent renewable goal. She asserted that AEA's primary priority is looking for affordable energy solutions and reducing energy costs. She said AEA believes renewable energy fits into Alaska's future. She countered that the 50 percent renewable goal is not necessarily the driver. She stated that renewable energy can serve a dual purpose by diversifying the portfolio while reducing energy costs.

[8:47:26 AM](#)

MR. THERRIAULT noted page 18, "Interior Energy Project (IEP) Overview" and explained that the IEP's LNG project consisted of an LNG plant on the North Slope, a trucking component, storage in the community, and a distribution build-out.

He addressed page 19, "IEP Goals." He highlighted various IEP Goals as follows:

- Supply natural gas to Interior Alaska at the lowest possible cost, to as many Alaska customers as possible, and as soon as possible.
- Keep private sector investment in the build-out's overall infrastructure.

He explained page 20, "SB 23 Finance Package." He said the financing package that was passed by the Legislature provides access to the Sustainable Energy Transmission and Supply (SETS) loans, a capitol component for Alaska Industrial Development and Export Authority (AIDEA) to actually take an investment equity position in the plant. He added that the financing package includes a \$150 million bond bid that could be loaned out for the natural gas distribution build-out.

MR. THERRIAULT pointed out page 21, "LNG and Propane Sale Priorities" as follows:

- Residential and commercial space heating,
- Electric utilities,
- Industrial customers,
- Other utilities, and
- Open market sales.

He summarized that most energies are a volume enterprise and higher volume LNG sales will equate to lower unit-prices for everybody.

He addressed page 22, "Completed Project Milestones" for the LNG project. He pointed out that the AIDEA and AEA boards had just approved the first SETS loans for the distribution build-out. He detailed that \$15 million was loaned to Fairbanks Natural Gas (FNG) for a fairly aggressive build-out starting in 2014 and \$8.1 million was loaned to Interior Gas Utility (IGU) for storage and distribution engineering and design. He noted that IGU will serve areas outside of FNG's existing service territory.

[8:50:13 AM](#)

CO-CHAIR BISHOP asked to receive details on FNG's build-out plan on where the \$15 million loan is going to be applied.

MR. THERRIAULT explained page 23, "Proposed Project Location: LNG Plant." He revealed that the plant's site has been identified and will tie into the existing gas fuel system. He noted that the plant's site was not very far from one of the North Slope's flow-stations that allowed for a less expensive tie-in.

He addressed page 24, "North Slope Facility: Next Steps." He revealed that the Letter of Intent was executed in February 2014 and the Project Development Agreement was currently in negotiations with Montgomery Watson Harza (MWH) Global. He noted that MWH Global was selected by the AIDEA board to be the private sector partner for the LNG plant's development.

He explained page 25, "Natural Gas Distribution System." He explained that the Regulatory Commission of Alaska (RCA) decided last December on FNG's and IGU's distribution territories. He detailed that IGU would get the expansion territory, but pointed out IGU's challenge with additional pipeline miles that services a smaller customer base. He summarized that AEA's intent is to use the tools provided by the Legislature to serve the largest customer base at a reasonable and affordable price.

[8:52:25 AM](#)

MR. THERRIAULT detailed page 26, "Conversion Analysis Study." He revealed that AEA has spent time evaluating how to quickly convert customers to natural gas. He summarized that converting from fuel oil to natural gas and potentially cutting fuel costs in half should be a large enough incentive for most residential home owners to make the conversion. He noted that IGU and AIDEA surveyed customers and received very good feedback on potential conversion.

[8:54:15 AM](#)

He addressed page 27, "Pipeline Gas Demand by Customer." He said AEA believes natural gas demand will grow over time. He pointed out that Golden Valley Electric Association's (GVEA) participation was included in the demand forecast. He noted that AIDEA was working with GVEA on signing up as a bulk customer. He noted that GVEA will have to find fuel sources due to the recent refinery closing announcement by Flint Hills Resources.

SENATOR MICCICHE called attention the gas pipeline's large demand increase from 2014 to 2015. He asked if the forecasted increase was attributed to GVEA purchases to power gas turbines.

MR. THERRIAULT replied that IGU will probably locate their gas storage tanks near GVEA and build-out their distribution with an initial volume-customer.

SENATOR MICCICHE asked when the first LNG will be shipped.

MR. THERRIAULT answered that LNG shipments are targeted for the last quarter of 2015.

[8:56:25 AM](#)

He addressed page 28, "Incentive Demand Comparison." He explained that adding an on-bill financing mechanism that allows customers to make monthly conversion-cost payments over time would drive added demand.

He addressed page 29, "Distribution System: Next Steps." He summarized that the next steps entail negotiating tanker contracts for IGU, FNG, and GVEA.

CO-CHAIR BISHOP asked Ms. Fisher-Gold for her closing comments.

MS. FISHER-GOAD asked that the Legislature support AEA's funding requests and current projects. She noted that AEA faces

challenges in balancing short, mid, and long term energy development. She pointed out that complications exist due to Alaska's geographical size, small electrical loads, and long distances between loads that precipitates somewhat inconsistent legislative policies. She related that AEA appreciates the dialog with the Legislature to make sure AEA is fulfilling its expectations as the state's energy office. She asserted that AEA listens to regional leaders and communities. She summarized that AEA implements the programs that the Legislature funds.

SENATOR MICCICHE set forth that AEA should prioritize efficiency first. He expressed hope that AEA has the courage to push back when policymakers may not be choosing efficient policy and to analyze energy delivery methods prior to final analysis. He asserted that just because the Legislature decides something is the best idea does not mean that is the case. He said the Legislature counts on AEA's expertise and freedom to push back.

[9:00:43 AM](#)

There being no further business to come before the committee, Co-Chair Bishop adjourned the Senate Special Committee on In-State Energy hearing at 9:00 a.m.