

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

January 22, 2015
10:16 a.m.

MEMBERS PRESENT

Representative Jim Colver, Co-Chair
Representative Liz Vazquez, Co-Chair
Representative Benjamin Nageak
Representative David Talerico
Representative Cathy Tilton
Representative Matt Claman
Representative Adam Wool

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

PRESENTATION: COMMITTEE ORGANIZATION

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

No witnesses to record

ACTION NARRATIVE

[10:16:18 AM](#)

CO-CHAIR JIM COLVER called the House Special Committee on Energy meeting to order at 10:16 a.m. Present at the call to order were Representatives Nageak, Talerico, Tilton, Wool, Vazquez, and Colver. Representative Claman arrived as the meeting was in progress.

[10:16:34 AM](#)

PRESENTATION: COMMITTEE ORGANIZATION

10:17:20 AM

CO-CHAIR COLVER announced that the only order of business would be committee organization. He advised that the committee has the duty to address the high cost of energy in Alaska, because low cost energy is a vital component of economic growth and a healthy economy. The committee has a history of working on energy issues on behalf of Alaskans: House Bill 306, the state energy [policy], was adopted in 2010; Senate Bill 220, the Alaska Sustainable Energy Act, was adopted in 2010; Senate Bill 289, the Home Energy Conservation Act, was adopted in 2008; House Bill 152, the Renewable Energy Fund, was adopted in 2008. Co-Chair Colver expressed his interest in eliminating roadblocks to providing low-cost energy to the state. He invited members to share their expectations regarding the work of the committee.

10:19:42 AM

CO-CHAIR VAZQUEZ said she was excited to be working with the committee on challenges that may affect the state for 10-50 years in the future.

10:20:32 AM

REPRESENTATIVE NAGEAK provided personal background information and noted that energy is an important topic for the residents of Rural Alaska, however, Barrow has an endless supply of natural gas for its electric utility. Although other villages have resources, such as methane, natural gas, or coal, the expense of developing their resources is very high. Having infrastructure also reduces the cost of energy, and he expressed his support for a gas line. Representative Nageak recalled that last year the committee worked on a gasification plant and a [liquefaction] plant as a source of natural gas for Fairbanks and for villages along the Yukon River.

10:24:31 AM

REPRESENTATIVE WOOL said Fairbanks does not have a supply of natural gas, and a trucking plan put in place last year may be in jeopardy because the [liquefaction] plant has been "shelved." Fairbanks needs a supply of natural gas - either from the North Slope or Cook Inlet - and a gas distribution system to homes, businesses, and schools. In addition, there needs to be an incentive so residents will convert from oil to gas and thereby improve the air quality by using gas to generate electricity

instead of diesel fuel. Energy is a big concern in the Interior.

[10:26:44 AM](#)

REPRESENTATIVE TILTON said she represents a large area of the state in the Mat-Su Borough and the Municipality of Anchorage. Her background is in real estate development, including bringing power into subdivisions. The Mat-Su Borough also has a new energy policy. She pointed out that energy affects all facets of the state budget, including energy subsidies through the Department of Health and Social Services. Energy is a basis of the economy for municipalities and rural areas. Representative Tilton said she is interested in learning from experts about the results of previous energy legislation and whether the state's energy policy has fulfilled its intent to make the state a leader in petroleum and natural gas production, and in renewable and alternative energy development. She questioned whether the state is on track to its goal of 50 percent renewable energy by 2025. Her constituents are personally affected by the price of energy and providers have issues with the infrastructure needed to provide energy.

[10:28:59 AM](#)

CO-CHAIR COLVER asked committee staff to report on the status of previous legislation.

[10:29:33 AM](#)

CO-CHAIR VAZQUEZ encouraged members to review the resources listed on the meeting agenda such as the Alaska Energy Authority web site. A review of these materials will allow the committee to "tackle a lot more if everybody gets up to speed."

[10:30:20 AM](#)

REPRESENTATIVE TALERICO said he represents District 6, which is a large area that contains 43 distinct communities. Where he lives there is coal-fired power plant that went online in 1967 and produces 25 megawatts per day for the electric intertie between Fairbanks and Anchorage. In addition, there is a windfarm facility with twelve 1.9 megawatt generators. An issue throughout his district is connectivity: Communities within 100 miles of a power line have no infrastructure in place to connect them to a utility. He pointed out there is a new hydroelectric (hydro) project coming online soon near Valdez; however,

residents within 60-70 miles of the hydro project are not connected to the project. He noted that the cost of electricity in some villages ranges from \$0.66-\$0.92 per kilowatt hour, and even with Power Cost Equalization (PCE), the high cost restricts new development. For example, in Fort Yukon diesel generators were near failure this winter, and even though oil prices are down now, the fuel was purchased at a higher price to fill the storage tanks before the river closed to navigation. Representative Talerico expressed his belief that his constituents want legislators to "leave everything on the table," and the liquefied natural gas (LNG) project is a high priority for Alaska. He encouraged the committee to look at the potential of other resources and noted the success of the biomass generation project at the school in Tok. The project heats the school, school buildings, and year-around greenhouses attached to the school. Coal is produced in his district, and he advised that Alaska has a tremendous amount of the world's coal reserves - perhaps five times the British thermal unit (BTU) value of the known reserves of oil and gas - that with new cleaner-burning processing, holds potential. Alaska's coal is subbituminous and is best utilized when crushed to a powder and burned to heat water and drive steam turbines. Representative Talerico discussed the most efficient processing of coal and pointed out that coal can be a significant source of fuel at an estimated lower cost than natural gas in the Fairbanks area. He restated his interest in the regional sourcing of fuels such as biomass, wind, and hydro.

[10:30:20 AM](#)

REPRESENTATIVE NAGEAK said continuing to serve on the committee stems from his concern about the high cost of energy throughout the state. He agreed that coal can provide much needed energy and thereby relieve the state's dependence on natural gas and oil. Coal can be shipped to Europe by the "Northern Route," and sourced locally from Point Lay for shipment to Russia, Japan, and China Minerals can also be a potential source of revenue for the state; however, infrastructure is necessary to connect the state's communities. He stressed the need to diversify sources of energy.

[10:40:19 AM](#)

REPRESENTATIVE CLAMAN said most of his experience in energy matters is in urban Alaska. He pointed out that a city the size of Anchorage located in the rest of the U.S. would have one electric utility; however, Anchorage has Anchorage Municipal

Light & Power, Chugach Electric Association, and Matanuska Electric Association. The delivery of power in Anchorage is less efficient partly because there are three utilities, and similar situations exist throughout the Railbelt and Alaska. He recalled a time when neighbors were paying different rates for electricity. Consumers throughout Alaska need lower energy prices because that is a key to economic development. Representative Claman stated his concern for issues of efficiency and for delivering energy efficiently and effectively, thus his criticism of mega-projects such as the Susitna-Watana Hydroelectric Project. He expressed his support for focusing state dollars on smaller regional projects that are a more effective use of state resources in terms of developing infrastructure and reducing energy costs. He restated his concern for how to increase efficiencies, lower energy costs, and increase the number of residents connected to the power grid.

[10:43:42 AM](#)

CO-CHAIR COLVER observed that energy is one of the biggest statewide issues for legislators whether they represent the Railbelt, or rural, coastal, or Southeast Alaska. The problem has been around for many years and there have been some good solutions such as the renewable energy loan and grant fund which provided 50 percent match funding for a hydro project in Valdez, and upgraded diesel power generation systems in the Bush. Defending continued funding for this program will be challenging given fiscal constraints, even though the program has been successful and is a valuable tool. He charged the committee with providing advice and direction on energy solutions and to provide short-term and long-term solutions for the Interior and for the delivery of gas to rural Alaska. The long-term plan would address the delivery of natural gas resources from the North Slope to market and to Alaskans. He expressed his hope that the committee will make recommendations and be involved and engaged in providing answers for the short-term. Although the proposal for trucking gas is in doubt, the governor stated that a Japanese firm, Resources Energy, Incorporated (REI) is interested in building an LNG plant in Cook Inlet and WesPac Midstream also has announced a similar plan to deliver gas throughout the state. Private sector investment should be encouraged and may be a short-term solution. Co-Chair Colver suggested that other topics on which to focus are distribution, loan programs, and state and federal funding sources to fund distribution extensions. A low-interest bond fund to create a vehicle for financing is also a possibility. He noted his

district is served by several utilities and encouraged the committee to find out what problems are faced by the private sector and to prioritize. He said "everybody have their own plan" hasn't worked in Alaska.

[10:48:56 AM](#)

REPRESENTATIVE NAGEAK pointed out that the governor said he wants to build a gas line, and the legislature has a plan to build a gas line that was passed last year. He asked about the governor's plans. Starting last year, building a gas line is also the desire of the legislature.

[10:50:36 AM](#)

CO-CHAIR VAZQUEZ recalled her personal experience living without electricity and noted her service on the board of directors of Chugach Electric Association. She agreed with Representative Claman that having seven utilities in the Railbelt is "very inefficient [and] everyday increasing the cost because everybody is building their own generation." In addition, a sufficient transmission system is lacking. She opined the committee has the serious charge of exploring what has transpired from the state's energy projects and policies; visiting and refining the state's energy plan; making suggestions on a regulatory and statutory basis; looking at state energy policy; developing energy assurance plans for the transmission grid; and hardening the grid to protect it from sun flares and other situations. Also, because of the fiscal situation, energy funds have not been replenished and the state may want to establish the authority to issue bonds. Co-Chair Vazquez cautioned that the hardest question will be how to finance projects outside of the general fund. She reviewed three scheduled upcoming presentations.

[10:54:17 AM](#)

CO-CHAIR COLVER said Chugach Electric will present an overview on the shortcomings of the statewide transmission system. For example, in the Railbelt, available power from Bradley Lake Hydroelectric Project cannot be transferred to Golden Valley Electric Association, so the concept of a manager to move the power instead of individual utilities will be presented. This concept does not necessarily require legislation, but would manage generation in the Railbelt more effectively. He noted several power projects that are in progress. There will also be a presentation by the Alaska Housing Finance Corporation on the

home and commercial weatherization programs that still have funding.

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CO-CHAIR VAZQUEZ observed that the first meetings will provide background on energy problems that have been around for many years. She restated that the big issues are financing solutions and statutory or regulatory solutions. She pointed out that PCE is not available for business or industrial use, and the high cost of energy will cause a loss of the state's population base.

[10:59:51 AM](#)

REPRESENTATIVE NAGEAK advised that last session the Alaska Village Electric Cooperative (AVEC) made a presentation on creating a mini-grid between nearby communities, which is a cost-effective idea.

[11:02:21 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 11:02 a.m.