

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

February 17, 2015  
10:17 a.m.

**MEMBERS PRESENT**

Representative Jim Colver, Co-Chair  
Representative David Talerico  
Representative Cathy Tilton  
Representative Matt Claman  
Representative Adam Wool

**MEMBERS ABSENT**

Representative Liz Vazquez, Co-Chair  
Representative Benjamin Nageak

**COMMITTEE CALENDAR**

**HOUSE JOINT RESOLUTION NO. 8**

Urging the federal government to empower the state to protect the state's access to affordable and reliable electrical generation.

- MOVED CSHJR 8(ENE) OUT OF COMMITTEE

**HOUSE BILL NO. 105**

"An Act relating to the programs and bonds of the Alaska Industrial Development and Export Authority; related to the financing authorization through the Alaska Industrial Development and Export Authority of a liquefied natural gas production plant and natural gas energy projects and distribution systems in the state; amending and repealing bond authorizations granted to the Alaska Industrial Development and Export Authority; and providing for an effective date."

- HEARD & HELD

**OVERVIEW: RURAL ALASKA FUEL SERVICES**

- HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: HJR 8

SHORT TITLE: FEDS ALLOW STATE TO MAKE ENERGY CHOICES

SPONSOR(s): REPRESENTATIVE(s) TALERICO

01/23/15 (H) READ THE FIRST TIME - REFERRALS  
01/23/15 (H) ENE, RES  
02/03/15 (H) ENE AT 10:15 AM CAPITOL 17  
02/03/15 (H) Heard & Held  
02/03/15 (H) MINUTE(ENE)  
02/17/15 (H) ENE AT 10:15 AM BARNES 124

BILL: HB 105

SHORT TITLE: AIDEA: BONDS;PROGRAMS;LOANS;LNG PROJECT

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/11/15 (H) READ THE FIRST TIME - REFERRALS  
02/11/15 (H) ENE, RES, L&C, FIN  
02/17/15 (H) ENE AT 10:15 AM BARNES 124

**WITNESS REGISTER**

JOSHUA BANKS, Staff  
Representative David Talerico  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Speaking on behalf of Representative Talerico, sponsor, summarized the changes in HJR 8, Version H.

NORMAN ROKEBERG, Commissioner  
Regulatory Commission of Alaska  
Anchorage, Alaska

**POSITION STATEMENT:** Speaking as a commissioner of the Regulatory Commission of Alaska, suggested changes to HJR 8.

FRED PARADY, Acting Commissioner  
Department of Commerce, Community & Economic Development  
Juneau, Alaska

**POSITION STATEMENT:** Provided background information on behalf of the administration during the hearing on HB 105.

TED LEONARD, Executive Director  
Alaska Industrial Development and Export Authority  
Department of Commerce, Community & Economic Development  
Anchorage, Alaska

**POSITION STATEMENT:** Provided a sectional analysis of HB 105, on behalf of the House Rules Standing Committee, sponsor by request of the governor.

GENE THERRIAULT, Deputy Director

Alaska Energy Authority  
Department of Commerce, Community & Economic Development  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified during the hearing on HB 105.

BOB SHEFCHIK, Project Leader  
Interior Energy Project  
Alaska Industrial Development & Export Authority  
Department of Commerce, Community & Economic Development  
Fairbanks, Alaska  
**POSITION STATEMENT:** Answered questions during the hearing on HB 105.

LUKE HOPKINS, Mayor  
Fairbanks North Star Borough  
Fairbanks, Alaska  
**POSITION STATEMENT:** Testified in support of HB 105.

JOHN EBERHART, Mayor  
City of Fairbanks  
Fairbanks, Alaska  
**POSITION STATEMENT:** Testified in support of HB 105.

RICK SOLIE, Chair  
Energy Committee  
Greater Fairbanks Chamber of Commerce  
Fairbanks, Alaska  
**POSITION STATEMENT:** Speaking on behalf of the Greater Fairbanks Chamber of Commerce, testified in support of HB 105.

DEL CONRAD, Chief Executive Officer  
Rural Alaska Fuel Services  
Anchorage, Alaska  
**POSITION STATEMENT:** Provided an overview of his company's operations.

#### **ACTION NARRATIVE**

[10:17:33 AM](#)

**CO-CHAIR JIM COLVER** called the House Special Committee on Energy meeting to order at 10:17 a.m. Representatives Talerico, Tilton, Claman, Wool, and Colver were present at the call to order.

#### **HJR 8-FEDS ALLOW STATE TO MAKE ENERGY CHOICES**

10:18:08 AM

CO-CHAIR COLVER announced that the first order of business would be HOUSE JOINT RESOLUTION NO. 8, Urging the federal government to empower the state to protect the state's access to affordable and reliable electrical generation.

10:18:18 AM

REPRESENTATIVE TILTON moved to adopt the proposed committee substitute (CS) for HJR 8, labeled 29-LS0401\H, Nauman, 2/16/15, as the working draft. There being no objection, Version H was before the committee.

10:19:18 AM

JOSHUA BANKS, Staff, Representative David Talerico, Alaska State Legislature, on behalf of Representative Talerico, summarized the changes to HJR 8 in Version H, beginning with a title change to add a statement urging the federal government to exempt the state from the Clean Power Plan (CPP). On page 1, lines 12 and 13 were added which read:

WHEREAS the state has joined with other states in asserting that the Clean Power Plan is unlawful and, in comprehensive comments, has asked to be exempt; and

MR. BANKS said on page 2, lines 2 and 3 were added which read:

WHEREAS the application of the goals of the Clean Power Plan to the state is fundamentally flawed because the goals rely on interconnection with the North American grid, to which the state is not connected; and

MR. BANKS said on page 2, lines 17-22 were added which read:

WHEREAS renewable energy and energy efficiency measures have been implemented at significant cost to the state, but will not be credited to the carbon goal of the state; and

WHEREAS the Clean Power Plan will require the premature retirement of the Healy Unit 1 coal plant, underutilization or premature retirement of the Healy Unit 2 coal plant, and significant new investment in renewable energy and energy efficiency; and

MR. BANKS said the BE IT RESOLVED language beginning on page 2, line 28, was changed to include exemption for Alaska to the Clean Power Plan, and on page 2, line 10, the original language was changed from "a one and one-half percent cap on electricity" to "minimal electrical." Finally, added to the distribution list were Gina McCarthy, Administrator of the U.S. Environmental Protection Agency and Janet McCabe, Acting Assistant Administrator for the Office of Air and Radiation.

10:22:40 AM

CO-CHAIR COLVER confirmed that public testimony was open on HJR 8.

10:23:23 AM

NORMAN ROKEBERG, Commissioner, Regulatory Commission of Alaska (RCA), informed the committee CPP is a change to section 111(d) of the Clean Air Act. In December of last year a taskforce, led by the state administration and its agencies, delivered formal comments to the U. S. Environmental Protection Agency (EPA) requesting an exemption from CPP rules while concurrently supporting legal action to find said rules unlawful. Mr. Rokeberg appreciated the legislature's attention to this issue which holds the potential for impacts to ratepayers and a potential shift of power reserved for the states to the federal government. The taskforce requested an exemption to CPP from EPA because Alaska is not connected to the North American grid, there were inaccurate calculations by EPA, there would be increased cost to Railbelt consumers, and there was a failure to recognize Alaska's investment in efficiency, which is approaching \$1 billion. He advised that CPP rules would require Alaska to focus on electrical efficiency instead of thermal efficiency, which is more appropriate given the climate of the state. Finally, he opined CPP would force the closure of one or both of the Healy coal plants. Mr. Rokeberg concluded that EPA wants "the people of the North Star Borough to sit in a dimly-lit room, a cold dimly-lit room, at the end of a 350 mile extension cord."

10:27:06 AM

MR. ROKEBERG directed attention to Version H, page 2, lines 5 and 6 which read:

WHEREAS the Regulatory Commission of Alaska should be empowered to make decisions with methodology based on the lowest production costs for electrical generation;

MR. ROKEBERG expressed his belief that the foregoing does not recognize the authority in how RCA conducts its business; in fact, to ensure the lowest production cost, RCA would need citing authority in generation. Also, the language questions the use of economic dispatch, and he noted generation is not in the purview of RCA. He urged the committee to consider language he had previously suggested in this regard. Further, on page 2, line 10 states the obvious. Also on page 2, line 13 read:

WHEREAS the state needs coal-fired power plants to ensure the reliability of the electrical energy grid; and

MR. ROKEBERG questioned the veracity of this statement. Also on page 2, lines 15 and 16 read:

WHEREAS the loss of other traditional electrical generation methods may cause natural gas plants to be overused or used in ways that exceed their engineered design; and

MR. ROKEBERG advised the foregoing is a generalized statement that applies to the generation capacity in the Lower 48; in Alaska, natural gas plants are new and efficient, and he suggested deletion.

REPRESENTATIVE CLAMAN asked whether Mr. Rokeberg supported HJR 8 as currently drafted.

MR. ROKEBERG responded he would like to see some changes, which could be made in the next committee of referral.

[Public testimony was treated as closed.]

REPRESENTATIVE TALERICO stated his preference to move HJR 8 out of committee.

[10:32:31 AM](#)

REPRESENTATIVE TILTON moved to report CSHJR 8, Version 29-LS0401\H, Nauman, 2/16/15, out of committee with individual recommendations and no fiscal note. There being no objection,

CSHJR 8(ENE) was reported from the House Special Committee on Energy.

[The forthcoming zero fiscal note, Identifier: HJR 8 HENE FN 1, was reported out of the House Special Committee on Energy on 2/19/15.]

[10:32:50 AM](#)

The committee took an at ease from 10:32 a.m. to 10:35 a.m.

**HB 105-AIDEA: BONDS;PROGRAMS;LOANS;LNG PROJECT**

[10:35:53 AM](#)

CO-CHAIR COLVER announced that the next order of business would be HOUSE BILL NO. 105, "An Act relating to the programs and bonds of the Alaska Industrial Development and Export Authority; related to the financing authorization through the Alaska Industrial Development and Export Authority of a liquefied natural gas production plant and natural gas energy projects and distribution systems in the state; amending and repealing bond authorizations granted to the Alaska Industrial Development and Export Authority; and providing for an effective date."

[10:37:32 AM](#)

FRED PARADY, Acting Commissioner, Department of Commerce, Community & Economic Development (DCCED), informed the committee that Governor Bill Walker signed Administrative Order 272 (AO 272) on 1/16/15, which directed the highest levels of his administration to work on consumer energy in Alaska and on the Interior Energy Project (IEP) [passed in the 28th Alaska State Legislature]. The order directs the commissioner of DCCED to facilitate agencies involved with consumer energy and to focus on Interior energy development to lower energy costs and improve air quality. Further, the Department of Natural Resources (DNR) was directed, along with the Alaska Industrial Development and Export Authority (AIDEA), DCCED, to assess potential natural gas supplies for the Interior. Mr. Parady said IEP work has revealed the need to assess a variety of natural gas supplies, including that of Cook Inlet, the North Slope, and other locations, to achieve the delivery of affordable energy to Fairbanks. The AIDEA board of directors approved a resolution to examine all sources of supply for IEP, and the passage of HB 105 would provide AIDEA the ability to consider alternative supplies of natural gas - beyond that of the North Slope - for

IEP. Furthermore, if AIDEA determines the best source is from Cook Inlet, or elsewhere, the bill provides AIDEA authorization to proceed.

[10:40:20 AM](#)

TED LEONARD, Executive Director, AIDEA, DCCED, speaking on behalf of the administration, presented a sectional analysis for HB 105. He informed the committee that the mission of AIDEA is to promote, develop, and advance economic development and growth in Alaska by providing various means of investment and financing, such as access to low-cost capital. This bill addresses limitations on AIDEA's ability to utilize bonds for development and energy projects, and provides flexibility to advance IEP. Mr. Leonard explained HB 105, section 1, changes AS 44.88.095(c), by raising the limitation from \$6 million to \$10 million regarding the point at which AIDEA must receive consent from an affected community, although other requirements remain in place. Section 2 changes AS 44.88.095(g), by raising the limitation from \$10 million to \$25 million regarding the point at which AIDEA must request from the legislature approval to issue a bond on a project - not to approve the project - but only to utilize a bond to finance a project. Neither of these sections have been changed since 1990, thus the amounts are being adjusted for inflation. Currently, AIDEA bond rates are 3-4 percent which is very low-cost capital; however, AIDEA has not been able to utilize bonding to provide access to capital for small and mid-size projects ranging from \$10 million to \$25 million.

[10:44:48 AM](#)

CO-CHAIR COLVER asked whether the proposed increases would spur economic development in the private sector and help grow the economy.

MR. LEONARD said yes. Using bonds makes access to lower cost capital timely.

CO-CHAIR COLVER referred to energy projects, and asked whether HB 105 would help projects progress faster.

MR. LEONARD said yes. The time needed to complete the legislative approval process hampers the development of smaller projects. Larger projects, such as transmission lines, would still require the legislative process. Section 3 of the bill changes AS 44.88.155(d)(1) from \$20 million to \$25 million, to

adjust for inflation the limit regarding AIDEA's purchase of a loan, again to help finance commercial and energy projects. Mr. Leonard pointed out that this program has a very good record with a default rate at less than 0.5 percent.

[10:48:23 AM](#)

GENE THERRIAULT, Deputy Director, Energy Policy and Outreach, Alaska Energy Authority (AEA), DCCED, explained that section 4 is a change to the uncodified law [11(a), ch.26, SA, 2013] that relates to IEP. He said at the time the legislation was passed in 2013, the gas supply out of Cook Inlet was uncertain; however, since then the gas supply has "firmed up" and AEA, AIDEA and DNR are now studying whether Cook Inlet could become a long-term source of natural gas for the Interior. Thus, in section 4, on page 4, line 23, the restrictive language "on the North Slope" was replaced with "in the state" so that any supply of gas in the state could be developed to supply the Interior. In addition, other changes have been suggested by legislators to ensure the bill maintains a focus on Interior Alaska. Finally, he pointed out that on page 4, line 24 was changed to reflect that there are now two separate utility distribution systems in the Interior.

[10:52:55 AM](#)

CO-CHAIR COLVER asked how this business model would help communities that are dependent upon fuel oil and diesel generation.

MR. THERRIAULT explained that the original concept of IEP was that the demand from the Fairbanks North Star Borough and Interior Alaska was necessary support a liquefied natural gas (LNG) project. Once the infrastructure was in place to supply the core demand, the infrastructure could possibly support delivery to Tok, Glennallen, Nenana, or other communities on the road system, and perhaps via the river system. He said demand from the Interior remains necessary to anchor the infrastructure that has the potential of serving a "much larger geographic territory."

CO-CHAIR COLVER inquired as to how section 4 of the bill relates to the purchase of the Pentax Natural Gas Co., and whether AIDEA is acquiring the small LNG plant at Point MacKenzie.

MR. THERRIAULT said the proposal in the letter of intent (LOI) to purchase is to buy the assets owned by Pentax, which is the

parent company that owns the Titan Alaska LNG facility in the Matanuska-Susitna Valley, the Fairbanks Natural Gas (FNG) distribution system, and some equipment. Along with the purchase, there is an agreement for Pentax to sell the LNG plant to Hilcorp Energy Company (Hilcorp), thus AIDEA would be purchasing the asset and the obligation to sell to Hilcorp. Ultimately, the state may own the distribution system in the Interior; there would be an obligation to source LNG from the plant and the state may choose to partner with Hilcorp for expansion of the plant.

[10:56:56 AM](#)

REPRESENTATIVE WOOL asked for the price on which Pentax and Hilcorp have contracted for the liquefaction plant.

MR. LEONARD said there is a price that cannot be divulged at this time; in fact, AIDEA has not verified the price or completed its due diligence.

REPRESENTATIVE WOOL surmised AIDEA would have another purchase agreement and its terms would determine the feasibility of the purchase.

MR. LEONARD said yes.

CO-CHAIR COLVER asked what the distribution system would be like in one to two years, assuming AIDEA acquires the assets of the two existing utilities.

MR. THERRIAULT advised that AIDEA has approved a loan to Interior Gas Utility (IGU), for the design and initial build-out in its territory out of North Pole. A loan was also made to FGN, which added 30 miles of distribution pipe last summer, but did not add new customers. The vision is that the two systems would share LNG storage, with the greatest degree of economy of scale. The plan for the IGU system is to replace 70 miles of distribution pipe this construction season.

CO-CHAIR COLVER surmised AIDEA would seek to sell the utility to a private sector operator.

MR. LEONARD said correct. With this investment, AIDEA is looking to integrate the system and provide a platform to lower the cost of distribution, but is not in the business of running assets; the integrated system would either be purchased through the private sector or through IGU. As a matter of fact, AIDEA

would leave in place the company that is operating the utility and act as a holding company after the purchase. In this way, there would be a 15 percent reduction in rates, based on the cost of capital that AIDEA can provide.

[11:03:32 AM](#)

CO-CHAIR COLVER recalled the cost of natural gas in Anchorage is approximately \$10. He said the legislature seeks affordable energy for all Alaskans, and asked when the delivery of gas to Fairbanks can be expected, and what would be the source of supply.

MR. THERRIAULT advised AEA and DNR are working on factors affecting a supply of natural gas to areas of Cook Inlet and Fairbanks. For consumers in the Interior, he said the governor indicated that some savings would be provided for the winter of 2015-2016. If AIDEA's purchase of FNG proceeds, there would be savings to its customers, even if the gas comes from the existing plant. More pipe will be put into the distribution system this summer by both utilities to prepare for a larger supply of LNG when it is available.

CO-CHAIR COLVER assumed that by acquiring FNG, customers should see a price of \$20 versus \$23 for natural gas.

MR. LEONARD said, "Based on a preliminary review."

CO-CHAIR COLVER asked for the final estimated price to the consumer in the greater Fairbanks area.

[11:08:21 AM](#)

BOB SHEFCHIK, Project Leader, IEP, AIDEA, DCCED, informed the committee the target and likely outcome are in the \$15 per thousand cubic feet (MCF) price range using a Southcentral supply chain. Although IGU has a six-year schedule for the distribution system build-out, the distribution system could begin in North Pole and University West, which would be faster.

REPRESENTATIVE WOOL asked for the source of gas for the 10,000 new customers in the Interior and Fairbanks, considering that the current liquefaction plant is operating at near capacity to serve current customers.

MR. SHEFCHIK responded that the key to an Interior gas project is increased liquefaction capacity, either by an expansion to

the existing plant at Point MacKenzie, or by new liquefaction capacity in the Southcentral area. Timing and cost will be evaluated to determine the most likely location. He advised that the two factors needed are a gas supply contract for gas out of the Cook Inlet current system to feed a liquefaction plant, and increased capacity from a liquefaction plant, which would likely occur in the third or fourth quarter of 2016 - depending on the availability of equipment - or in 2017.

CO-CHAIR COLVER asked about the analysis on the cost of developing a small diameter methane pipeline from Cook Inlet to Fairbanks.

MR. SHEFCHIK affirmed that his project expects to analyze parallel options for gas supply, such as "the North Slope work," and whether a Southcentral supply line would work, based on the demands and the cost of a plant. He said the preferred method for a supply chain is a pipeline, "... it's more a question of economics and time than logistics."

CO-CHAIR COLVER observed there are consumers along the route of a possible pipeline that could be served, and he urged for a focus on the consumers along the way.

[11:15:25 AM](#)

MR. LEONARD returned attention to the sectional analysis for HB 105. Sections 5 and 6 repeal legislative bond authorizations from 1994-2004 that were made under AS 44.88.095(g), and which total approximately \$330 million. Bond authorizations now have a five-year sunset clause; however, the aforementioned bond authorizations are ten years old and affect AIDEA's bond rating. He assured the committee the proposed legislation does not relate to potential projects now under consideration, but to projects that would have to be resubmitted to the legislature in any case.

CO-CHAIR COLVER suggested that he and Representative Tilton meet with AIDEA to rework authorizations for the \$50 million bonding authority for the Cook Inlet commodities cargo port, and two possible projects at Port MacKenzie.

MR. LEONARD agreed.

CO-CHAIR COLVER observed that exploration by Doyon, Limited, in the Nenana basin was not discussed, and asked about the opportunities for gas supply from there.

MR. LEONARD said he spoke with Doyon representatives recently regarding the project.

REPRESENTATIVE WOOL pointed out that AIDEA seeks to combine IGU and FNG's distribution system infrastructure in Fairbanks. He asked if the Hilcorp/Pentax portion of the purchase becomes unclear, whether AIDEA would proceed to integrate the distribution system where possible.

MR. THERRIault agreed that the state seeks integration between the two utilities wherever possible; however, there is discussion about whether the systems touch, and how often, and the cost. The benefits to the community are uncertain.

[Public testimony was treated as open on HB 105.]

[11:21:42 AM](#)

The committee took an at ease from 11:21 a.m. to 11:29 a.m.

[11:29:47 AM](#)

LUKE HOPKINS, Mayor, Fairbanks North Star Borough (FNSB), said the topic is very important and all parties must not lose sight of the focus on lowering energy costs in the Interior, which would be followed by economic development. The Interior Energy Project is a bridge project, but is not the only solution which seeks to bring LNG to Fairbanks. He recalled that AIDEA performed due diligence on the North Slope proposal and found that the proposal did not provide what is needed. He noted that FNSB has given authorization for AIDEA to provide financing related to HB 105, and expressed his support for the bill. Returning attention to section 4, he said when FNSB set up a municipal utility, it developed a cost-of-service model, and a municipal utility has a lot of advantages, in the same way that AIDEA would if it acquired Pentax. He reminded the committee that the governor said there would be relief this winter for customers affected by HB 105. Also, this legislation is important in order to improve air quality because residents continue to lower the cost of living in Fairbanks, and in the Interior, by burning wood. Mr. Hopkins urged for the committee to pass the bill quickly, and questioned the need for several referrals. He understood that AIDEA needs to look at Southcentral for a source of gas since the North Slope is no longer in the model. He pointed out that customers would pay "almost all of this back." He urged the committee to remember

what has already transpired: pipe has been laid and eleven schools are on natural gas. Mayor Hopkins acknowledged previous discussions about offtakes from proposed pipelines; however, at this time, a bridge project is needed. He closed, saying that gas from Cook Inlet can be trucked and shipped to parts of Alaska, and urged that the original language in section 4, "Interior Alaska" is retained in the bill.

11:37:29 AM

REPRESENTATIVE WOOL expressed his support for keeping the original language: to provide natural gas to Interior Alaska.

MAYOR HOPKINS restated his point that the bill has seven referrals. He noted that the private sector is willing to sell to AIDEA.

11:39:05 AM

JOHN EBERHART, Mayor, City of Fairbanks, stated that the residents of Fairbanks have been hurt for years by the high cost of energy. As a natural gas customer, he noted his January bill was over \$700. High energy costs have also hurt economic development and jobs: there has been a loss in population; retail stores will not come without gas; air pollution is serious and is hurting the quality of life; and wood is burned to save money. He expressed concern that air pollution will also hurt the expansion at Eielson Air Force Base which is expected to bring \$1 billion into the economy of the Fairbanks area. If natural gas becomes available at a price of \$15 per MCF, people will convert to gas and help the quality of life and reduce the air pollution problem. Mayor Eberhart urged for quick passage of the bill.

11:41:52 AM

REPRESENTATIVE TALERICO relayed there are questions from legislators about the transportation of natural gas from Southcentral to Fairbanks by rail, truck, or a future pipeline. Although there has not been opposition to the bill, he suggested that supporters of the bill contact legislators to answer questions. The Southcentral utilities will shortly address the issue of whether there are sufficient volumes of gas, which will be reassuring.

MAYOR HOPKINS advised that AIDEA can look at other sources of gas, but the focus must remain on a gas line that will "serve Alaska and also deal with the revenue issue."

[11:45:22 AM](#)

RICK SOLIE, Chair, Energy Committee, Greater Fairbanks Chamber of Commerce, disclosed that he works for Tower Hill Mines and was speaking for the chamber of commerce. He thanked the legislature for its past efforts and encouraged the committee to focus on the top priority of the Greater Fairbanks Chamber of Commerce to reduce the cost of energy in the Interior. Mr. Solie stressed that HB 105 is important for residential, industrial, and large projects. Although there is presently a reprieve from energy prices, a solution is needed.

[11:47:21 AM](#)

CO-CHAIR COLVER said public testimony on HB 105 remained open.

HB 105 was held over.

**OVERVIEW: RURAL ALASKA FUEL SERVICES**

[11:47:32 AM](#)

CO-CHAIR COLVER announced that the final order of business would be an overview by Del Conrad of Rural Alaska Fuel Services.

[11:47:55 AM](#)

DEL CONRAD, Chief Executive Officer, Rural Alaska Fuel Services (RAFS), informed the committee that RAFS was founded in 2004 by the Denali Commission as a non-profit corporation tasked to help rural communities manage bulk fuel tank farms. Currently, RAFS has seven employees experienced as tank farm technicians, certified hazardous waste operations and emergency response standard (HAZWOPER) trainers, and certified tank inspectors. Along with its primary function of tank farm management, RAFS includes business consulting, support with pricing and maintenance, and training for tank farm operators in about 50 villages. In addition, RAFS has contracts with 30 independent tank farm operators to assist with management. Rural Alaska Fuel Services' main focus is on regulatory compliance such as spill response exercises, pipeline testing, and facility response plans. The company offers classes in Bush communities for HAZWOPER, tank farm operations, first aid, Occupational

Safety and Health Administration (OSHA), U.S. Department of Labor compliance, and compliance-based entry. In addition, RAFS provides bulk fuel loan technical support for rural communities on issues such as payments, pricing, and credit and collection policies. At this time, RAFS is providing decommissioned tank farm demolition; as a matter of fact, it is estimated there are 1,600 decommissioned bulk fuel tanks in Rural Alaska, most of which have not been cleaned, and nearly all have fuel or residue, and some are beginning to leak. Mr. Conrad described several dangerous incidents and situations that are causing communities anxiety. Furthermore, even fairly new tanks need to be painted to stop costly corrosion. The U.S. Environmental Protection Agency (EPA) now requires tank testing and inspection every five years at the time spill prevention control and countermeasures plans are refiled. If tanks are undocumented, EPA is recommending ultrasound testing, and virtually all of the tanks in Rural Alaska are undocumented; ultrasound testing requires the tester to work inside or underneath the tank, which is time consuming and expensive. Mr. Conrad continued to explain that health and safety measures regarding tank farm demolition hold challenges, and the Alaska Village Electric Cooperative (AVEC) has been unable to secure discretionary or supplemental capital funding. He clarified that demolition does not include site clean-up. Regulations are also costly, for example, there are minimum educational requirements for those who perform certain tasks related to spill cleanup. Further challenges are funding and ongoing training for the Power Cost Equalization (PCE) program, as training is not consistently provided by the Alaska Energy Authority (AEA), Department of Commerce, Community & Economic Development.

CO-CHAIR COLVER questioned the need for PCE training.

[11:56:57 AM](#)

MR. CONRAD explained that every month forms that identify community facilities and determine a community's PCE eligibility and usage must be submitted to AEA. Another factor is that there is a lot of turnover so new utility managers must be trained on the average of every nine months.

CO-CHAIR COLVER asked whether most of Mr. Conrad's contact is with a tribal administrator or a city clerk.

MR. CONRAD advised that contact is with anyone who operates a tank farm. In further response to Co-Chair Colver, he said the loss of revenue sharing should be "triaged" because cities such

as Anchorage, Fairbanks, and Juneau have other resources to develop. He suggested continued revenue sharing to protect rural communities with a population below 4,000.

REPRESENTATIVE CLAMAN asked for the status of Denali Commission funding.

MR. CONRAD responded that Denali Commission funding ended in 2006, and communities must pay their way. In further response to Representative Claman, he said RAFS has a contract with the state to provide services to bulk fuel loan program borrowers, but this is not a grant.

CO-CHAIR COLVER suggested that RAFS work with AEA to resolve some of the aforementioned problems.

[12:00:31 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 12:00 p.m.