

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

February 24, 2015  
10:17 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: COPPER RIVER VALLEY REGIONAL ENERGY PLANNING

- HEARD

HOUSE BILL NO. 78

"An Act bearing the short title of the 'Alaska Competitive Energy Act of 2015'; and relating to the Regulatory Commission of Alaska."

- HEARD & HELD

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."

- MOVED CSHB 105(ENE) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 78

SHORT TITLE: REGULATORY COMMISSION OF ALASKA  
SPONSOR(s): REPRESENTATIVE(s) WILSON

01/23/15 (H) READ THE FIRST TIME - REFERRALS  
01/23/15 (H) ENE, L&C  
02/24/15 (H) ENE AT 10:15 AM CAPITOL 17

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  
02/17/15 (H) Heard & Held  
02/17/15 (H) MINUTE(ENE)  
02/24/15 (H) ENE AT 10:15 AM CAPITOL 17

**WITNESS REGISTER**

JOE BOVEE, Vice President Land and Resources  
Ahtna, Incorporated  
Glennallen, Alaska

**POSITION STATEMENT:** Provided a PowerPoint presentation entitled "Copper River Valley Regional Energy Planning: A Public-Private Partnership Working to Development(sic) Affordable Energy."

JASON HOKE, Executive Director  
Copper Valley Development Association  
Glennallen, Alaska

**POSITION STATEMENT:** Participated in the PowerPoint presentation entitled "Copper River Valley Regional Energy Planning: A Public-Private Partnership Working to Development(sic) Affordable Energy."

ROBERT WILKINSON, Chief Executive Officer  
Copper Valley Electric Association  
Glennallen, Alaska

**POSITION STATEMENT:** Participated in a PowerPoint presentation entitled "Copper River Valley Regional Energy Planning: A Public-Private Partnership Working to Development(sic) Affordable Energy."

BRUCE CAIN, Special Projects Manager  
Ahtna, Incorporated  
Glennallen, Alaska

**POSITION STATEMENT:** Participated in a PowerPoint presentation entitled "Copper River Valley Regional Energy Planning: A Public-Private Partnership Working to Development(sic) Affordable Energy."

REPRESENTATIVE TAMMIE WILSON  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Speaking as the sponsor, introduced HB 78.

DUFF MITCHELL, Executive Director  
Alaska Independent Power Producers Association (AIPPA)  
Juneau, Alaska

**POSITION STATEMENT:** On behalf of Representative Wilson, sponsor, provided an overview of HB 78.

SUZANNE GIBSON, Senior Director  
Energy Development  
Cook Island Region, Inc.  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 78.

JOEL GROVES, Project Manager  
Fishhook Renewable Energy  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 78.

TIM MCLEOD, President  
Alaska Electric Light and Power Company  
Juneau, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 78.

MIKE CRAFT  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 78.

JODIE MITCHELL, Chief Executive Officer/General Manager  
Inside Passage Electrical Cooperative  
Juneau, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 78.

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

**POSITION STATEMENT:** Answered a question during the hearing on HB 105.

## **ACTION NARRATIVE**

[10:17:38 AM](#)

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

### **PRESENTATION: COPPER RIVER VALLEY REGIONAL ENERGY PLANNING**

[10:18:28 AM](#)

CO-CHAIR COLVER announced that the first order of business would be a presentation on Copper River Valley Regional Energy Planning.

[10:18:51 AM](#)

JOE BOVEE, Vice President, Land and Resources, Ahtna, Incorporated, said the presentation would focus on rural energy partnerships within the Copper River Valley region.

[10:20:01 AM](#)

JASON HOKE, Executive Director, Copper Valley Development Association (CDVA), said CVDA is the Alaska Regional Development Organization (ARDOR), Division of Economic Development (DED), Department of Commerce, Community & Economic Development (DCCED), for the region of the state extending beyond Paxton to the Matanuska-Susitna Borough, south to Valdez, and west almost to the Canadian border (slide 2). Copper Valley is an unorganized borough with no municipalities encompassing 20,649 square miles. There are twenty-three communities, eight tribal governments, and two Native corporations, Ahtna, Incorporated (Ahtna) and Chitina Native Corporation (CNC). The population of 3,000 residents is declining rapidly; Copper Valley is on the road system with a rural lifestyle and the high expenses of rural living (slide 3). Mr. Hoke said CVDA has contracted with the Alaska Energy Authority (AEA), DCCED, to produce a Regional Energy Plan of which draft Phases 1 and 2 are nearly complete. The plan involved a collaboration between all of the communities in the area, tribes, businesses, and energy companies. The energy plan identifying long-term goals included an electrical intertie with the Railbelt; developing natural gas; a liquefied natural gas (LNG) feasibility project linked to the Interior

Energy Project; development of summer hydroelectric power with storage and cogeneration; links to the Alaska LNG project; and the development of other resources such as hydroelectric, biomass, solar, wind, and geothermal (slide 4). Mr. Hoke pointed out that non-state dollars are coming into the region; for example, ARDOR has leveraged \$4 for every \$1 received from the state, most of which has been directed to energy and energy development. From private sources, Ahtna invested \$3 million last year, and the Copper Valley Electric Association invested \$8 million in the Allison Creek generation project. Finally, with the help of CVDA, small businesses have obtained U.S. Department of Agriculture Rural Energy for America Program loans and grants totaling over \$1 million toward energy efficiency.

10:24:02 AM

MR. BOVEE informed the committee that although in rural Alaska residents have different backgrounds and cultural identities, the high cost of energy unites everyone. He presented a map illustrating oil and gas basins in Alaska and indicated that a 50-mile radius around Glennallen has been identified for middle earth [outside of Cook Inlet and south of 68 degrees north latitude] tax credits (slide 6). Over the past 10-15 years, oil and gas research has been conducted in the Copper River Valley region and a state exploration license was issued covering about 44,000 acres; in fact, millions of dollars have been invested in exploration over the past 30-40 years. Recently, Ahtna invested about \$3 million in the Tolsona project west of Glennallen. Previous geological data and past exploration have revealed strong natural gas indications, and all of the exploration wells have gas shows. He pointed out that the identified gas formation is accessible to Southcentral Alaska and its population centers, the highway, and tidewater at Valdez. Mr. Bovee noted that the drilling challenges of high pressure water zones can be alleviated since they have been identified (slide 7). He displayed a map showing Copper River Basin Natural Gas within which has been found natural gas and shale oil during years of exploration. In the last 18 months an area on state land has been explored, including 40 miles of 2D seismic. Also shown were oil and gas exploration wells (slide 8). From all of the previous and current data, porous, permeable, and hydrocarbon-bearing lower Cretaceous zones have been identified, which indicates the region has the correct geology for gas structures. Several large, fault-bounded geologic structures have been identified, two of which cross onto state land. However, high pressure water zones are present. He described a cross-section of the geology of the area (slide 9).

[10:28:42 AM](#)

MR. BOVEE turned to market opportunities, which are critical for exploration and development. Market research determined that if the region could only produce thousands of British thermal units (Btus) per day, it would not be economically feasible to develop the industry. If millions of Btus were produced per day, the market would be the Copper River Valley area, including the electric association, the school district, and commercial and residential markets. If billions of Btus were produced per day, the region would attract instate or international markets (slide 10). An analysis of the local market indicated that there is a high need for natural gas and thus determined that the local market is viable. Based on \$4 per gallon fuel oil, using natural gas would represent a cost savings of 15 percent for home heating (slide 11). Mr. Bovee said the next step for his organization is to engineer and design a new well to be completed in 2016. The well will be located in a new, very promising site. Further, CVDA is finalizing an application to the Regulatory Commission of Alaska (RCA) for local gas distribution, which will take about one year. Also, CVDA is evaluating developing markets, which may be a pipeline, a micro LNG plant trucking LNG to rural communities, or an electrical intertie.

CO-CHAIR COLVER asked for the prospects of the basin in the Tolsona area.

MR. BOVEE answered that at the time of the state license, CVDA reprocessed old data and found a gap; with new seismic data, four sides of a gas structure east of Tolsona Lake have been identified, and he estimated the structure is five miles square at its base at 5,000 feet.

[10:34:24 AM](#)

CO-CHAIR COLVER asked about challenges to oil and gas development in the basin.

[10:34:36 AM](#)

MR. BOVEE recalled the previous wells that were drilled in the '90s and '00s encountered high pressure water zones and high pressure gas zones. The problems caused by these zones can be countered by installing well casing. The other problem is attracting financiers and developers to a small market.

However, the region's location on the road system is a benefit. He urged the committee to consider improvements to the middle earth tax credit legislation.

10:37:08 AM

ROBERT WILKINSON, Chief Executive Officer, Copper Valley Electric Association, said CVEA provides electrical service to the Copper Valley area and Valdez with power from the Solomon Gulch hydroelectric facility - which is a combustion turbine cogeneration project adjacent to Petro Star refinery - and two diesel-fired generation plants. Currently under construction is the Allison Creek project which will increase CVEA's renewable energy portfolio from 50 percent to 64 percent. In the Copper River basin, the average residential cost per kilowatt hour in 2014 was 28 cents. He attributed the high cost of electric rates to the use of diesel fuel and the cost of operating and maintaining four power plants. Copper Valley Electric Association believes the best long-term solution for lower cost is a CVEA intertie to the Railbelt energy grid. Benefits would include improved reliability and transfer capacity, economic development opportunities, development of stranded energy projects such as Tiekle River and Silver Lake, service to new commercial customers, and lower rates to residents. Approximately 20 years ago, CVEA proposed an intertie from Glennallen to Sutton, and the prefeasibility study provided a foundation of data (slide 13).

10:39:34 AM

BRUCE CAIN, Special Projects Manager, Ahtna, informed the committee Ahtna has proposed an LNG demonstration project which ties into an Ahtna gas development project as well. The purpose is to begin working in the local market and build a small community natural gas distribution grid which could be started now if LNG was trucked to a small regasification plant. The proposed demonstration project would be shared with the state as successful methods to convert small communities or isolated areas to natural gas become clear. The project benefits the Copper River Valley community by the construction of a local gas distribution grid for the power plant and business area that can be used following the future development of a natural gas system. Mr. Cain noted that a CAPSIS request in the amount of \$175,000 has been submitted for a feasibility study, and the total project cost is estimated to be \$8 million to \$10 million funded by Rural Development, U.S. Department of Agriculture, grants, and private investment (slides 14 and 15).

MR. BOVEE concluded that the entities in the Copper River Valley region are working together on energy projects. Finalizing Phase 11 of the Copper Basin Regional Energy Plan will result in a prioritized list of the top projects as follows (slide 16):

- evaluation of the intertie
- the LNG demonstration project
- Ahtna natural gas exploration

[10:43:24 AM](#)

The committee took an at ease from 10:43 a.m. to 10:47 a.m.

**HB 78-REGULATORY COMMISSION OF ALASKA**

[10:47:34 AM](#)

CO-CHAIR COLVER announced that the next order of business would be HOUSE BILL NO. 78, "An Act bearing the short title of the 'Alaska Competitive Energy Act of 2015'; and relating to the Regulatory Commission of Alaska."

[10:47:44 AM](#)

REPRESENTATIVE TAMMIE WILSON, Alaska State Legislature, sponsor of HB 78, paraphrased from the following sponsor statement [original punctuation provided]:

It is my honored to present HB78 on behalf of the Alaska Independent Power Producers. Competition is good. Competition brings out the best of America and Alaska. Competition is the basis for a free and market force driven society. Business and industrial sectors that have vibrant competitive markets work hard to drive down consumer prices. Competition sparks innovation to improve production, shave unnecessary costs, and continually improve customer service in the never ending pursuit to meet or beat competition. Alaskans understand and embrace competition as an integral component of our existence as Alaskans. Competition is not complicated. Alaskans understand competition in the sports arena and in all endeavors that require a pursuit of excellence. As with our world famous Iditarod Dog Sled Race, we don't just hand out trophies, we expect our Alaskan winners to earn it. Our Alaska electrical energy laws and

regulations that not only discourage competition, but more aptly pre-empt competition and discourage private investment in our electrical energy infrastructure. As a result to our economic counterproductive and anticompetitive policies, Alaska ranks last of all 50 states in the production of competitive electricity from independent power producers. Due, in part, to our lack of wholesale electrical competition Alaska also has the highest average cost of industrial, business electricity rates in the nation. Also, Alaska almost has the highest average residential electricity rates in the nation. Our noncompetitive high electric rates negatively impact our economic development and unnecessarily burden our Alaskan businesses, mines, entrepreneurs and households. Our high electrical energy costs, not only impact our economy, they also impact our local government operations, schools, hospitals, and services. A school or hospital dollar unnecessarily spent on uncompetitive electricity is a dollar that could be more productively spent on educating our youth or reducing the health care costs for Alaskans. Wilson started out as a territory and as a young state, we rightfully granted monopoly rights to utilities and awarded exclusive service territories in our effort to provide incentives to drive electrical service to all urban and rural Alaskans alike. However, we have outgrown this monopoly model that now holds back the diversification and vibrancy of our non-oil industry economy. We must integrate wholesale competition to encourage private capital investment into energy generation and transmission to not only decrease electricity costs but also to improve Alaskans long term energy security from future rate increases. Fair play, open access to transmission, nondiscrimination in the procurement of lowest cost energy allows market forces to pick winners and provides an avenue for Alaska to meet its goals as stated in our State Energy Policy. The Alaska Competitive Energy Act embraces competition as the guiding principle for our electrical generation and transmission industry because Alaskans know that competition works.

REPRESENTATIVE WILSON said she has heard from private industry that projects have already been built, but are unable to access the grid. She stressed that private businesses are needed at this time of the current state budget deficit, and the grid must

be shared. Representative Wilson directed attention to a letter from "Chugach Power" found in the committee packet that recommends waiting "for a report that may come out, my understanding, may not come out until June." However, she advised that residents in her legislative district are moving, and businesses are not expanding, "because they keep waiting for more affordable energy ...."

[10:52:49 AM](#)

REPRESENTATIVE TILTON asked why the legislature should not wait for the Regulatory Commission of Alaska (RCA) to issue its report.

REPRESENTATIVE WILSON explained that last year RCA requested more direction on how it can better service Alaskans, and that was the origin of the bill. There may be changes that can be made through the legislative process, but to stop legislation "instead of working in tandem," would slow progress on the issue.

[10:54:05 AM](#)

DUFF MITCHELL, Executive Director, Alaska Independent Power Producers Association (AIPPA), said AIPPA has worked on the bill for three years. He provided an overview of HB 78, saying that the bill embodies competition and fair play; the bill includes non-discrimination elements, opens doors for access to transmission, and sets basic ground rules. Currently, Alaska differs from the rest of the nation in its regulation of generation and transmission, and the bill brings Alaska in alignment. Mr. Mitchell said Alaska ranks poorly in competitive generation and high cost because it does not invigorate competitive market forces. He disagreed that HB 78 is deregulation; in fact, the bill creates wholesale competitive regulation: Any contract by an independent power producer (IPP) would be sold to a utility on a power purchase agreement (PPA) and authorized by RCA. In addition, HB 78 follows the state energy policy [passed in the 26th Alaska State Legislature] which promotes the development of renewable energy, encourages coal and other gas hydrates for electrical generation, and encourages economic development by streamlined regulatory processes. Yet today, "the RCA takes two years for a docket, in the private business, that's a lifetime [and] puts you out of business." Furthermore, in 2012, RCA heard testimony in which the state energy policy was characterized as aspirational, thus HB 78 is a reflection of that characterization.

[10:57:43 AM](#)

CO-CHAIR COLVER asked what the bill directs RCA to do, beyond its current responsibilities.

MR. MITCHELL advised that some RCA rules are out of syncopation with the Public Utility Regulatory Policies Act of 1978 (PURPA). Further, although RCA narrowly addresses avoided cost, it does nothing to address open access to transmission, equal costs, or the nondiscriminatory aspects, and other aspects, of the state energy policy. The bill transforms the state energy policy so that RCA would be required to consider aspects of the state energy policy, such as streamlining and making regulations more equal and fair.

CO-CHAIR COLVER inquired as to the utilities' reporting requirements, which affect their rate structure.

MR. MITCHELL said the bill asks utilities to produce and publish avoided costs of generation; this is important so that proposed energy projects can complete their prefeasibility studies and compete against a known cost.

CO-CHAIR COLVER asked whether the reports are currently not made public.

MR. MITCHELL acknowledged that some utilities publish an average which may include the cost of hydroelectric power from a source built 100 years ago, but do not publish the source and the cost of each type of generation; an IPP needs to know the incremental cost of diesel, for example.

[11:00:43 AM](#)

REPRESENTATIVE WOOL asked for the effect of avoided costs "on the equation."

MR. MITCHELL recalled PURPA passed in 1978 and each state implemented its version of PURPA. Prior to 1999, utility issues were heard by the Alaska Public Utilities Commission (APUC) and in 1982, APUC ruled that although incremental cost analysis was appropriate, Alaska utilities were not sufficiently sophisticated to calculate incremental costs. The ruling was to be temporary. Therefore, although PURPA directs that the utility displace the higher-cost source, usually oil, so an IPP can compete with oil; if the costs are averaged, lower costs

from older power projects keep the avoided cost low. He noted that the federal definition of avoided cost is an incremental cost system, not an average cost system.

REPRESENTATIVE WOOL questioned whether having a transmission company (TRANSCO) or an independent system operator (ISO) dispatching energy over a robust transmission system would solve grid access problems for IPPs.

MR. MITCHELL observed that HB 78 lays the ground rules of nondiscrimination and equal treatment; however, a TRANSCO or ISO would not solve problems without rules to follow. He pointed out the great risk of an organization of utilities rule-making without legislative direction, guidance, and principles.

CO-CHAIR VAZQUEZ requested that Mr. Mitchell summarize the ground rules found within HB 78.

MR. MITCHELL summarized that all parties have an equal stake, pay the same rate, are treated equally, have the same rules of integration and interconnection, and have a voice in future decision-making. Unlike the bylaws of the Alaska Railbelt Cooperative Transmission & Electric Company (ARCTEC), these rules ensure IPPs have a role and stability so they can get private financing.

[11:06:13 AM](#)

CO-CHAIR COLVER opened public testimony on HB 78.

[11:06:27 AM](#)

SUZANNE GIBSON, Senior Director, Energy Development, expressed the support of Cook Inlet Region Inc. (CIRI) for HB 7. Ms. Gibson said the new legislation would facilitate the state's energy policy goal to encourage renewable and alternative generation. Her role at CIRI is to develop energy projects such as Fire Island Wind, which has delivered renewable wind power to Chugach Electric Association Inc., (CEA) since September, 2012. Fire Island Wind has generated more than 120,000 megawatt hours and substantially lowered the consumption of natural gas; however, to develop projects, CIRI recognizes the need for the cooperation of the purchasing utilities. In 2014, CIRI began the second phase of the project; however, although power was offered at a cost of 6.3 cents per kilowatt hour, no utilities executed a power purchase agreement. Without a buyer, CIRI considered proceeding as a qualifying facility (QF); however,

the regulatory framework was insufficient upon which to make investment decisions. The proposed rules before RCA in Docket R-13-002 are intended to clarify regulations on cogeneration, small power production, and QFs, and may be met with more resistance from utilities and attempts to "water down the language." Even if PURPA regulations are adopted, additional action is needed from the legislature; Docket R-13-002 does not provide a framework for creating competitive wholesale electricity and does not ensure access to the transmission system by QFs and IPPs, but this can be accomplished by HB 78. A clear legislative framework has been requested by IPPs and RCA commissioners, and a lack of legislative rules regarding fair consideration and nondiscriminatory open access transmission service were the primary barriers preventing the successful development of Fire Island Wind Phase 2. Ms. Gibson said her experience led her to be an advocate for appropriate and necessary changes so that Alaska can adopt practices implemented by the energy utility industry across the U.S. In 2015, CIRI planned to invest \$50 million to add capacity to the wind project, expand the diversity of fuel supply, provide economic stimulus, cut carbon emissions, and move toward the state's renewable energy goal; however, a lack of definitive rules allows the utilities to reinforce their barriers to IPP development. She provided the following examples: CEA's existing tariff discriminates against IPPs because no IPP can qualify to be an eligible customer without a process that takes 18 months; utilities have full discretion including penalties for the use of generators, the capital cost of new equipment, assumed losses of value from hydroelectric resources, additional personnel costs, punitive natural gas price increases, and uncertain transmission wheeling rates. Ms. Gibson closed, saying the lack of rules is difficult for utilities and IPPs and leads to repeated negotiations with certain utility executives.

[11:14:40 AM](#)

JOEL GROVES, Project Manager, Fishhook Renewable Energy, informed the committee Fishhook Renewable Energy is developing a run-of-river hydropower project in Hatcher Pass. Mr. Groves said the experience of Fishhook Renewable Energy affirms that of AIPPA and CIRI: The existing regulatory framework is hostile to IPPs in Alaska. Since 2006, his company has suffered delays to the project stemming from the existing regulatory framework. Generally speaking, the management of the Matanuska Electric Association (MEA) and CEA have been conducive to the development of IPPs; however, management can change, thus the reforms in HB

78 are critical to moving Alaska's electrical sector toward a more competitive framework and lower costs.

[11:17:25 AM](#)

TIM MCLEOD, President, Alaska Electric Light and Power Company (AEL&P), said AEL&P is a utility that has served Juneau for over 120 years and is now a subsidiary of Avista Corp. Mr. McLeod said HB 78 would raise the cost of energy in Alaska. He stated that all of the power-generating units in Juneau were paid for with private funds; in fact, AEL&P is an investor-owned utility that owns Gold Creek, Annex Creek, Salmon Creek, and Lake Dorothy projects, and has financial responsibility for the Snettisham Hydroelectric Project which was built by the federal government. He opined that throughout the state most of the projects are being paid for through rates and private investment. Mr. McLeod said AEL&P's corporate goals are: provide reliable and safe electrical service from renewable resources; provide among the lowest rates and maintain financial integrity; use electrical resources efficiently. In addition, AEL&P thrives on the well-being of its community. He pointed out that AEL&P has the capability of becoming an IPP; however, to do so would raise rates. Most other utilities in the state have similar goals, and that is why they are opposed to the proposed bill. The plans that utilities make in order to provide low-cost power can be interrupted by existing regulations; for example, a utility is required to buy power from a QF and his understanding is that AEL&P's incremental cost may be the cost of diesel generation. Mr. McLeod advised that Inside Passage Electric Cooperative is in the process of building a small hydroelectric project in Hoonah - by using grant funds - built the facility for less than an IPP building with private funds could have, and significantly lowered the cost of energy. Mr. McLeod urged for the legislature to defer to RCA, because it has the expertise to write policy for the utilities to follow.

[11:22:36 AM](#)

MIKE CRAFT informed the committee he entered the energy market in 2007 because his community was in decline. He questioned whether any planning was done by the utilities then or now. He referred to the letters of support and opposition to the bill that are found in the committee packet, and noted that opposition testimony by the utilities does not provide reasons, justification, or an explanation of how the bill would raise rates. He stated this is untrue; in fact, the more power he

sells to the utility, the lower the price becomes. When competing with diesel, the cost is 37 cents per kilowatt hour (kWh), with coal, the cost is 6.5 cents per kWh, making the average cost 9.8 cents per kWh, and the cost comes down. On a federal level, costs based on averages are illegal, and camouflage the true cost of producing power across the state. Mr. Craft said RCA asked for direction from the legislature because it is a regulator and - as such - cannot act on policy that has not passed out of the legislature. Returning to the subject of time, and concerns that the bill is progressing quickly, he stressed that the residents of Fairbanks are out of time, and cannot wait one more year. He restated that the Railbelt utilities do not engage in collective long-term planning; however, IPPs have projects ready right now that will bring the cost of power down and create jobs.

[11:26:28 AM](#)

JODIE MITCHELL, Chief Executive Officer/General Manager, Inside Passage Electrical Cooperative (IPEC), urged the committee to wait for RCA to decide on Docket R-13-002 because it is the appropriate body to address the foregoing questions. The utilities understand the time that is needed for RCA to issue decisions. She advised that the high cost of power is due to the size of the state and the lack of interconnection or superhighways of transmission assets. Ms. Mitchell said HB 78 puts the burden of costs on the utilities which will be passed along to consumers, and she cautioned against frivolous costs. In her position, she hears many proposals for low-cost power that are not working projects; however, if an IPP can truly displace diesel she would purchase its power. The fixed rate of return at IPEC is 4 percent or less, and she expressed her belief that an IPP could not exist on a similar rate of return and would have to prove its cost savings.

[11:29:12 AM](#)

CO-CHAIR COLVER stated HB 78 was [held over] with public testimony open.

REPRESENTATIVE CLAMAN asked when the RCA report is expected.

CO-CHAIR VAZQUEZ advised RCA is discussing the issue on 2/25/15; however, the report that is expected in June is very restrictive in its scope; it is to consider whether an ISO is the most efficient way to deal with Railbelt congestion, and may not address the issues within HB 78.

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

[11:30:28 AM](#)

CO-CHAIR COLVER announced that the final 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."

CO-CHAIR VAZQUEZ disclosed that her husband, Mark Davis, is an employee of AIDEA.

[11:31:06 AM](#)

REPRESENTATIVE TILTON moved to adopt the proposed committee substitute (CS) for HB 105, labeled 29-GH1019\W, Shutts, 2/23/15, as the working draft. There being no objection, Version W was before the committee.

CO-CHAIR COLVER directed attention to the change to HB 105 in [Version W] as follows:

On page 4, line 21, after "terminal"  
Delete: "The terminal may be located anywhere  
within Cook Inlet"  
  
Insert: "to be located at Point MacKenzie"

CO-CHAIR COLVER explained this change reauthorizes \$50 million [of bonding] authority to AIDEA for a port facility to be located at Point MacKenzie, and noted that AIDEA seeks to have legislative reauthorization within five years of a project. Other changes in [Version W] are as follows:

On page 5, line 1, after "infrastructure"  
Delete: "on the North Slope"  
  
Insert: "in the state that will provide natural  
gas to Interior Alaska"

On page 5, line 3, after "distribution"

Delete: "system"

Insert: "systems"

On page 5, line 3, after "infrastructure"

Delete: "in"

Insert: "that will provide natural gas to"

CO-CHAIR COLVER said these changes relate to the bill's previous authorization for a project sited on the North Slope. The new language changes the intent of the bill to deliver energy to the Interior.

[11:33:32 AM](#)

REPRESENTATIVE TILTON moved to adopt Amendment 1 as follows:

On page 4, line 20, before "equipment"

Delete: "loading and conveyer"

There being no objection, it was so ordered.

[11:34:51 AM](#)

REPRESENTATIVE CLAMAN moved to adopt Amendment 2 as follows:

On page 4, line 19, after "and"

Delete: "related"

There being no objection, it was so ordered.

REPRESENTATIVE CLAMAN expressed his understanding that HB 105 provides direction consistent with the intent of the governor related to AIDEA's investment in projects.

[11:35:43 AM](#)

FRED PARADY, Acting Commissioner, Department of Commerce, Community & Economic Development, said yes; specifically the bill is needed to authorize the consideration of natural gas sourced from areas not located on the North Slope for the Interior Energy Project.

CO-CHAIR COLVER pointed out there are private sector proposals for liquefied natural gas (LNG) facilities at Point MacKenzie. The intent of the rail spur to the port at Point MacKenzie is to

move products more competitively, as requested by the Matanuska-Susitna (Mat-Su) Borough, but not to compete with the Port of Anchorage because that port is situated to cargo and container shipping.

CO-CHAIR VAZQUEZ advised HB 105 increases AIDEA's bonding authority from \$6 million to \$10 million in section 1, from \$10 million to \$25 million in section 2, and from \$20 million to \$25 million in section 3.

CO-CHAIR COLVER said his constituents in Delta Junction are looking for leadership on providing affordable energy to the Interior which would strengthen the regional economy and support military installations. He expressed his hope that providing affordable energy to Alaskans becomes a common goal.

REPRESENTATIVE WOOL agreed.

[11:39:30 AM](#)

The committee took an at ease from 11:39 a.m. to 11:41 a.m.

[11:41:27 AM](#)

REPRESENTATIVE TILTON moved to report CSHB 105, Version 29-GH1019\W, Shutts, 2/23/15, as amended, with individual recommendations and the accompanying zero fiscal note. There being no objection, CSHB 105(ENE) was reported out of the House Special Committee on Energy.

[11:41:52 AM](#)

The committee took an at ease from 11:41 a.m. to 11:45 a.m.

[11:46:42 AM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 11:46 a.m.