

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ENERGY

April 5, 2016

5:19 p.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

HOUSE BILL NO. 363

"An Act extending the exemption from regulation by the Regulatory Commission of Alaska for certain facilities or plants generating energy from renewable energy resources."

- MOVED HB 363 OUT OF COMMITTEE

HOUSE BILL NO. 187

"An Act creating the Railbelt Electrical Transmission Authority; and relating to the duties of the Regulatory Commission of Alaska."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 363

SHORT TITLE: EXTEND EXEMPTION FOR SMALL POWER PLANTS

SPONSOR(S): REPRESENTATIVE(S) VAZQUEZ

02/24/16	(H)	READ THE FIRST TIME - REFERRALS
02/24/16	(H)	ENE, L&C
04/05/16	(H)	ENE AT 5:00 PM CAPITOL 17

BILL: HB 187

SHORT TITLE: RAILBELT ELECTRICAL TRANSMISSION AUTH.

SPONSOR(s): ENERGY

04/10/15	(H)	READ THE FIRST TIME - REFERRALS
04/10/15	(H)	ENE, L&C
01/28/16	(H)	ENE AT 11:00 AM CAPITOL 17
01/28/16	(H)	Heard & Held
01/28/16	(H)	MINUTE(ENE)
02/02/16	(H)	ENE AT 10:15 AM CAPITOL 17
02/02/16	(H)	Heard & Held
02/02/16	(H)	MINUTE(ENE)
04/05/16	(H)	ENE AT 5:00 PM CAPITOL 17

WITNESS REGISTER

MATT DEAN, Staff
Representative Liz Vazquez
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Speaking on behalf of Representative Vazquez, sponsor, presented HB 363.

DUFF MITCHELL, Executive Director
Alaska Independent Power Producers Association
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 363.

ETHAN SCHUTT, Senior Vice President
Land and Energy Development
Cook Inlet Region, Inc.
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 363.

KEITH COMSTOCK, President/CEO
Juneau Hydropower Inc.
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 363.

ACTION NARRATIVE

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CO-CHAIR LIZ VAZQUEZ called the House Special Committee on Energy meeting to order at 5:19 p.m. Representatives Vazquez, Nageak, Talerico, and Colver were present at the call to order. Representatives Tilton, Claman, and Wool arrived as the meeting was in progress.

HB 363-EXTEND EXEMPTION FOR SMALL POWER PLANTS

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CO-CHAIR VAZQUEZ announced that the first order of business would be HOUSE BILL NO. 363, "An Act extending the exemption from regulation by the Regulatory Commission of Alaska for certain facilities or plants generating energy from renewable energy resources."

[CO-CHAIR VAZQUEZ passed the gavel to Co-Chair Colver.]

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MATT DEAN, staff to Representative Vazquez, sponsor, informed the committee HB 363 extends the sunset date of AS 42.05.7119(r) to January 1, 2025. The purpose of the bill is to encourage the continued exploration of renewable resources, private investment into the use of renewable resources to produce power, and to lower the barrier costs of entry into power production. In order to qualify for the exemption, interested parties must produce power from renewable resources, produce 65 megawatts or less per year, sell power to utilities regulated by the Regulatory Commission of Alaska (RCA), and must not have received a grant or tax credit that supports the use of renewable resources. The bill has received support from the renewable energy sector, and the bill has a zero fiscal note.

CO-CHAIR VAZQUEZ stated her support for the bill which encourages renewable energy production.

CO-CHAIR COLVER opened public testimony on HB 363.

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DUFF MITCHELL, Executive Director, Alaska Independent Power Producers Association (AIPPA), stated AIPPA fully supports HB 363 as an extension of 2010 legislation which resulted in increased development by small, independent power producers (IPPs). He noted that permitting for hydropower takes as long as ten years, as do wind and solar regimes. Alaska is the only state that regulates power producers under 80 megawatts, thus the bill simply extends the sunset of the previous legislation, and he urged for the committee's support.

CO-CHAIR COLVER asked whether there is a project underway.

MR. MITCHELL said yes.

CO-CHAIR VAZQUEZ questioned whether the bill is consistent with federal statute.

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MR. MITCHELL said yes, and added that prior to the existing exemption, Fishhook Renewable Energy spent thousands of dollars on regulation.

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ETHAN SCHUTT, Senior Vice President, Land and Energy Development, Cook Inlet Region, Inc. (CIRI) said he is also the president of CIRI's wholly-owned subsidiary, Fire Island Wind. Mr. Schutt expressed CIRI's support for HB 363, noting that the legislation makes common sense, encourages private investment in small- or modest-sized renewable power projects in Alaska, benefits the public, and does not burden the state government, but simply provides a more certain path for project developers related to regulation.

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KEITH COMSTOCK said he is President/CEO of Juneau Hydropower Inc., (JHI) which is a private hydropower developer based in Juneau. His company is committed to the IPP model, where private capital and industry are used to develop energy projects such as the Sweetheart Lake Hydroelectric Project and the Juneau District Energy System project. Sweetheart Lake Hydroelectric Project (Sweetheart Lake) was begun in 2009, and final permits and licenses are expected this summer, with construction to begin this fall. Mr. Comstock stated that JHI would benefit from the bill, and the legislation is also important to future projects by lowering risk and encouraging outside investors. Along with clarification on regulations from RCA, the bill should encourage needed economic investment.

CO-CHAIR COLVER asked about the financing for the project.

MR. COMSTOCK responded that during the regulatory process the project has been privately funded. After receiving a license from the Federal Energy Regulatory Commission (FERC) and permits, financing will be a combination of equity investment and loans. Proposed HB 143 would enable the Alaska Industrial Development and Export Authority (AIDEA), Department of

Commerce, Community & Economic Development, to consider bonding for the project, and the rest is possible with good credit and a 20 percent down payment. In further response to Co-Chair Colver, Mr. Comstock said the project is about six miles from state-owned AIDEA transmission line facilities, thus six miles of overland and underwater new transmission is needed. In further response, he explained Sweetheart Lake is a storage project which involves raising a five and one-half mile-long lake by one hundred feet, unlike many hydroelectric projects in Alaska that have high levels of power in the summer and problems with production in the winter. The project was first identified in 1906 for its hydropower potential; in 1975, the federal government decided to build the larger Snettisham Hydroelectric Project, and now market conditions are right for Sweetheart Lake. The project will store a lot of water and will run at level operations to produce the same amount of power summer and winter.

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CO-CHAIR COLVER asked whether the project will supply power to the Kensington Gold Mine and to the proposed heat loop in Juneau.

MR. COMSTOCK explained that about 60 percent of the project's output will supply the Kensington Gold Mine and the balance of power will go to the Juneau District Energy System project. In further response to Co-Chair Colver, he said the District Energy System project is being developed by a subsidiary and will be the first seawater heat pump in North America or South America; there are several in Europe and projects are underway in Norway and Scotland, but "we'll be the third in the world who basically will heat a town with seawater." In further response to Co-Chair Colver, Mr. Comstock said the intent is to bring the two projects online concurrently. The technology was developed by Emerson and its subsidiary Vilter, and a seawater heat pump runs like a refrigerator on an industrial scale. Advances in refrigerant technology and metallurgy now allow higher pressures and higher heat. Previous seawater installations have used a low-heat system which has little value in retrofitting buildings, however, the new technology allows for conversions in existing facilities at a low cost. He described the design of the boiler, and urged the committee to visit a similar power system at the Ted Stevens Marine Research Institute Laboratory.

CO-CHAIR COLVER inquired as to the billing system.

MR. COMSTOCK said the systems are metered by British thermal units (Btus) in a manner similar to that of oil or electric metered systems. In further response to Co-Chair Colver, he responded that the heat loop works well in Juneau because there is a densely-compacted customer base which makes a cost-effective and ideal central loop of approximately two miles. Experts have recommended a focus on the downtown area, with possible expansion to West Juneau and Douglas, but not as far as Bartlett Regional Hospital.

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CO-CHAIR VAZQUEZ asked for the projected timeframe to supply power to the Kensington Gold Mine.

MR. COMSTOCK estimated 2018, assuming the receipt of federal permits and mild weather. In further response to Co-Chair Vazquez, he advised that the power will replace diesel fuel at the mine and in Juneau, as 78 percent of Juneau homes are heated with diesel fuel.

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CO-CHAIR COLVER after ascertaining no one further wished to testify on HB 363, closed public testimony.

REPRESENTATIVE WOOL observed that the maximum generation of 65 megawatts is more than that generated by any plant in Fairbanks, and seems like a large production facility to not be regulated.

MR. DEAN answered that 65 megawatts was a compromise made in the legislation passed in 2010; under federal standards, any power plant generating under 80 megawatts is not regulated.

MR. MITCHELL added that the bill is an extension of the sunset to existing legislation. He restated that the regulatory process is expensive, and it is unlikely that future IPP power plants would be that large, however, the state is "more restrictive than what the federal government is."

REPRESENTATIVE WOOL surmised that in the Lower 48 there are many large power plants; Healy [Unit 2] plant is 50 megawatts, and in Alaska, 65 megawatts is a big power plant.

REPRESENTATIVE TALERICO reminded the committee the bill relates to power generated by renewable energy resources and does not affect power plants utilizing coal, gas, or oil. He observed

that the state - but not the federal government - considers hydroelectric power as a renewable source of energy.

MR. MITCHELL agreed.

REPRESENTATIVE NAGEAK expressed his support for the bill.

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REPRESENTATIVE TALERICO moved to report HB 363 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 363 was reported out of the House Special Committee on Energy.

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ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 5:50 p.m.