

SENATE FINANCE COMMITTEE  
April 16, 2015  
2:55 p.m.

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CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 2:55 p.m.

MEMBERS PRESENT

Senator Anna MacKinnon, Co-Chair  
Senator Pete Kelly, Co-Chair  
Senator Peter Micciche, Vice-Chair  
Senator Click Bishop  
Senator Mike Dunleavy  
Senator Lyman Hoffman  
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

Fred Parady, Deputy Commissioner, Department of Commerce, Community, and Economic Development; Gene Therriault, Deputy Director, Statewide Energy Policy Development, Alaska Energy Authority, Department of Commerce, Community and Economic Development; Ted Leonard, Director Emeritus, Alaska Industrial Development and Export Authority (AIDEA), Anchorage.

PRESENT VIA TELECONFERENCE

Jomo Stewart, Fairbanks Economic Development Corporation, Fairbanks; Pamela Throop, Self, Fairbanks; Roger Burggraf, Self, Fairbanks; Merrick Peirce, Self, Fairbanks; Gary Hennigh, City Manager, King Cove; Lisa Herbert, Director, Greater Fairbanks Chamber of Commerce, Fairbanks; Jim Dodson, Fairbanks Economic Development Corporation, Fairbanks; Luke Hopkins, Mayor, Fairbanks Northstar Borough, Fairbanks; Andre LaRue, Self, Juneau.

SUMMARY

SB 9 ELECTION PAMPHLETS

SB 9 was REPORTED out of committee with a "do pass" recommendation and with one previously published zero fiscal note: FN1 (GOV).

SB 50 AIDEA: BONDS;PROGRAMS;LOANS;LNG PROJECT

SB 50 was HEARD and HELD in committee for further consideration.

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

HB 105 was HEARD and HELD in committee for further consideration.

CSHB 176(FIN)

REPEAL ST EMPL WAGE RAISE;LEGIS EMPL BENE

HB 176 was SCHEDULED but not HEARD.

#sb9

SENATE BILL NO. 9

"An Act repealing the authority to include certain material from a political party in the election pamphlet."

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Vice-Chair Micciche summarized that the bill would purify the election process at the ballot box.

Co-Chair MacKinnon noted that public testimony had been held during the 9am meeting on April 16, 2015.

Vice-Chair Micciche discussed the zero fiscal note.

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Vice-Chair Micciche MOVED to report SB 9 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 9 was REPORTED out of committee with a "do pass" recommendation and with one previously published zero fiscal note: FN1 (GOV).

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AT EASE

3:03:18 PM

RECONVENED

#sb50

#hb105

SENATE BILL NO. 50

"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."

CS FOR HOUSE BILL NO. 105(FIN)

"An Act relating to the programs and bonds of the Alaska Industrial Development and Export Authority; relating to the Alaska Industrial Development and Export Authority sustainable energy transmission and supply development fund; requiring the Alaska Industrial Development and Export Authority to deliver to the legislature reports relating to the Interior energy project; relating 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; authorizing the Alaska Industrial Development and Export Authority to issue bonds to finance the infrastructure and construction costs of the Sweetheart Lake hydroelectric project; authorizing the Alaska Industrial Development and Export Authority to issue bonds to finance the infrastructure and

construction costs of rebuilding transmission between the Hope substation and Portage, rebuilding transmission between Powerline Pass to Indian, and the Eklutna hydroelectric transmission system upgrade project; relating to legislative approval for loans from the power project fund to the City of King Cove; and providing for an effective date."

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FRED PARADY, DEPUTY COMMISSIONER, DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT, drew attention to the presentation, "Interior Energy Project."

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Mr. Parady referred to Slide 2, "IEP: Goals Under SB23":

- Supply natural gas to Interior Alaska:
  - At the lowest cost possible
  - As many Alaska customers as possible
  - As soon as possible
- IEP investments compliment eventual sources of gas supply from a natural gas pipe line
- Lower PM2.5 in nonattainment areas of Interior

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Mr. Parady spoke to Slide 3, "IEP: Overview":

- Meet the goals set by the legislature to supply affordable energy to Interior Alaska
- Project is complex, which is why the legislature took action
- Now evaluating infrastructure to deliver natural gas from any source, including Cook Inlet
- AIDEA financing the buildout of natural gas distribution in Fairbanks and North Pole

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Mr. Parady moved to Slide 4, "IEP: HB 105/ SB 50":

- HB 105 / SB 50 gives AIDEA flexibility to use SB 23 financing tools with a non-North Slope liquefaction location

- Current version of HB 105 also authorizes financing propane and small diameter pipeline (under 12" diameter) projects to meet the goals of the IEP
- Current version of SB 50 authorizes financing small diameter pipeline

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Senator Dunleavy queried the geographic boundaries of the legislation.

GENE THERRIAULT, DEPUTY DIRECTOR, STATEWIDE ENERGY POLICY DEVELOPMENT, ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, explained that the terminology "interior energy project" had been selected by the previous administration, realizing that the core demand within the Fairbanks Northstar Borough was the demand that would justify the building of the infrastructure. However, once delivery to serve that geographic was achieved, the product would also be available to figure out the economics of delivering it down the road system to Delta, Northway, and Tok. He relayed that there were storage credits on the books that would be available to the smaller communities. He stated that there had never been a firm definition of "interior" rather there had been an expectation that the product would be made available in as large a geographic area as possible.

[3:07:55 PM](#)

Co-Chair MacKinnon asked whether the governor understood the "stage gate" approach to interior energy, and that the boundaries were outside of the Fairbanks area.

Mr. Therriault believed so. He stated that they had had discussions naming the interior as the primary market. He added that once infrastructure was in place that was producing the product, secondary markets could be served. He understood that the economics of the smaller markets could be a challenging but not impossible.

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Senator Dunleavy reasserted his question pertaining to the boundary.

Mr. Therriault replied that the focus of the project would be the Fairbanks/North Pole area.

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Mr. Parady returned to Slide 4.

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Mr. Parady presented Slide 5, "North Slope Project Map," which displayed a schematic map of the project authorized under SB 23 in 2013.

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Mr. Parady discussed Slide 6, "Cook Inlet Project Map," which was a schematic map that illustrated the Cook Inlet project authorized in HB 105/ SB 50.

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Mr. Parady moved to slide 7, "Cook Intlet, North Slope, and other Alternatives":

#### Cook Inlet

**Natural Gas Supply** - Supply still uncertain but indications are positive

**LNG Plan Costs** - Cheaper to construct and operate, "off the shelf"

**Trucking/Rail** - Lower trucking costs, large trailer potential rail option

**Storage and distribution** - Nor significant change in design and costs

#### North Slope

**Natural Gas Supply** - Abundant supply at low cost, existing contracts in place

**LNG Plan Costs** - Expensive to design and construct for North Slope conditions

**Trucking/Rail** - Trucking is more expensive but feasible

**Storage and distribution** - No significant change in design and costs

#### Other

**Natural Gas Supply** - Propane: Canada (HB 105 only)  
Pipeline: Cook Inlet  
**LNG Plan Costs** - Propane: No plant  
Pipeline: No plant  
**Trucking/Rail** - Propane: Marine, rail, trucking  
Pipeline: None  
**Storage and distribution** - Propane: Redesign storage  
and regas  
Pipeline: Less storage

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Mr. Parady showed Slide 8, "North Slope LNG Project," which illustrated the supply chain laid out in SB 23:

1. Two Existing Gas Supply Agreements with North Slope Producers
2. 3rd Party LNG Developer
3. Private Trucking Contractors
4. Interior Gas Utility - Fairbanks Natural Gas - Golden Valley Electric Association.

He shared that the North Slope LNG Project supply chain had been well vetted and had provided Alaska Industrial Development and Export Authority (AIDEA) and the Interior Utilities with estimated costs. He furthered that the LNG costs for a North Slope project under the Concession Agreement was too high and that Alternative North Slope LNG production projects would be considered.

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Mr. Parady moved to slide 9, "Cook Inlet LNG Alternative," and commented that the project was similarly structured to the project on the previous slide. He noted the supply chain:

1. Gas Supply Agreement with Cook Inlet Producer(s)
2. 3rd Part LNG Developer
3. Private Trucking Contracts or Alaska Railroad
4. Interior Gas Utility - Fairbanks Natural Gas - Golden Valley Electric Association

He stated that the allowance of the alternative, in addition to the North Slope supply chain authorized in 2013, was the purpose of HB 105/ SB 50's IEP changes.

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Senator Dunleavy surmised that the most cost effective way to move gas would be in a straight line, in a pipe. He asked whether a small pipeline was the intention.

Mr. Parady related that the gas pipeline option was the most elegant solution, but involved the longest permitting timeline and largest upfront capital. He added that the life expectancy of the project should be considered.

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Co-Chair MacKinnon referred to slide 8. She asked how much it had cost to vet the North Slope Project.

Mr. Parady stated that expenditures from the capital appropriation on the North Slope option totaled \$12.4 million. He explained that there had been \$1.3 million in direct plant cost legal financial work; \$5.7 million for construction and permitting; \$5 million for plan engineering and design, and \$330,000 in storage distribution and conversion work. He furthered that much of money was applicable to the project as it flipped, and some of the money was contained in the value of the pad, which could be disposed of as an asset at the appropriate time that a North Slope option was set aside.

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Co-Chair MacKinnon asked whether the City of Fairbanks or AIDEA walked away from the concession agreement.

Mr. Parady replied that it could be argued that MWH Americas had walked away due to continually shifting terms during the diligence process. He stated that, ultimately, the AIDEA board had decided that the Concession Agreement was not being met and chose not to extend its deadline.

Co-Chair MacKinnon asked what the unacceptable gate price rate had been.

Mr. Parady thought that the rate was \$13 or \$14.

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Co-Chair Kelly asked for a breakdown of MWH Americas role in the process. He

Mr. Parady deferred the question to AIDEA.

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Mr. Parady related that AIDEA would encourage and evaluate all proposals to achieve the goals of the IEP as the process moved forward. He presented Slide 10, "Project Execution Plan":

- o Natural Gas supply: Facilitate commercial discussions between producers and utilities
- o Liquefaction: Competitive solicitation to select private partner to develop LNG capacity
- o Transportation: Private trucking, Alaska railroad, small diameter pipeline, propane
- o Storage, Regasification, and Distribution: Buildout of system continues Summer 2015

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Mr. Parady turned to Slide 11, "IEP Summary":

- o The goals remain as established by SB23
- o HB 105 / SB 50 authorizes the tool kit to best achieve goals of IEP
- o Market driven process
  - Accomplishing IEP goals requires adaptation to current market and operating realities

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TED LEONARD, DIRECTOR EMERITUS, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (AIDEA), ANCHORAGE, addressed referred to Co-Chair Kelly's earlier question. He stated that there were several factors in the Concession Agreement that needed to be met, such as: having all of the project criteria completed by December 31, MWH Americas needed to have take-off agreements from the utilities, and a fully vetted price needed to be established. He opined that the conditions had not been met, and there had been additional costs, but that the issues were due to time constraints.

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Mr. Therriault spoke to the sectional analysis for CSSB 50(RES), version N:

**Section 1:** Adds intent language to the uncodified law of Alaska detailing that the geographic flexibility provided in Section 3 of this act is only to apply to the AIDEA financing tools for the Interior Energy Project previously authorized by ch. 26, SLA 2013 and is not intended to expand the scope of the project. Adds intent that AIDEA use an open and competitive process to select private entities to participate in the Interior Energy Project.

**Section 2:** Amends the definition of "qualified energy development" that qualifies for SETS financing to include consideration of propane and possible delivery of natural gas to Interior Alaska via pipeline no larger than 12 inches in diameter.

**Section 3:** Changes the uncodified law [11(a), ch. 26, SLA 2013] that deals with the Interior Energy Project (IEP). Deletes the phrase "on the North Slope" and changes it to "in the state that will provide natural gas to Interior Alaska" so that natural gas can be sourced anywhere in the state. The section also clarifies that existing IEP financing can be used to support more than one natural gas distribution system in Interior Alaska.

**Section 4:** Requires AIDEA to provide quarterly reports to the Legislature on the status of the Interior Energy Project that contains:

1. a description of project progress;
2. an update on distribution system status
3. information on the conversions to natural gas
4. an accounting on the use and expected use of funds.

Requires AIDEA to provide a brief on the Interior Energy Project to the LB&A Committee

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Senator Dunleavy queried the issues behind the limitations of the diameter of the pipe.

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Vice-Chair Micciche responded that one of the stopping points of similar projects in the past had been the fear of competing with the North Slope Project; AKLNG or ASAP lines. He said that the language clarified that the project was not intended to replace those projects, but was simply for supply to Fairbanks.

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Mr. Therriault concluded the sectional analysis:

**Section 5:** Sunsets the reporting and briefing requirements of Sec. 4 on June 30, 2025.

**Section 6:** Provides an immediate effective date.

Co-Chair MacKinnon explained that public testimony for HB 105 and SB 50 would occur simultaneously. She said that if the bill were to move, the house bill would be the vehicle; the contents of the final bill could come from HB 105, SB 50, and any amendments offered by the committee.

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AT EASE

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RECONVENED

Co-Chair MacKinnon introduced the legislation.

Mr. Therriault discussed the sectional analysis:

**Section 1:** adds intent language to clarify that the financial tools discussed in Section 10 are only for the benefit of the Interior Energy Project described in Section 10.

Mr. Therriault noted that the intent language in HB 105 was similar to the language in SB 50.

**Section 2:** increases the limit under AS 44.88.095(c) from \$6 million to \$10 million. AS 44.88.095(c) requires AIDEA to receive a certified copy of a resolution of the municipality or from the Regional Resource Advisory Council (in the Unorganized Borough) consenting to the location of a project if AIDEA is to

issue bonds exceeding \$6,000,000. AIDEA recommends that this cap be increased to \$10,000,000 to better reflect the true costs of projects in 2015.

Mr. Therriault explained that several of the sections detailed statues that had been updated for changes due to inflation.

**Section 3:** increases the limit under AS 44.88.095(g) from \$10 million to \$25 million. AS 44.88.095(g) requires that AIDEA receive legislative approval to issue bonds in amounts over \$10 million to finance a development project. The current bond limitations have lessened AIDEA's ability to utilize bonding as a tool in funding small to mid-size projects due to the time it takes to get authorization from the Legislature and to go through the community authorization process. Additionally, AIDEA is recommending the dollar amount of bond limitations be the same as the dollar amount limit on loan participations AS 44.88.155(d)(1) since loan participations may be funded through bond issuances.

**Section 4:** changes the loan participation limit under AS 44.88.155(d)(1) to \$25 million (current limit - \$20 million), and \$25 million (current limit - \$20 million) for a loan participation for a qualified energy project without the necessity of obtaining prior legislative approval. Increasing the limits would allow AIDEA to provide more of the financing for a large commercial project and a qualified energy project and provide better financing terms for those projects.

Co-Chair MacKinnon asked when the SETS Fund was established.

Mr. Therriault thought that the fund was established in 2011.

**Section 5:** adds an exception to AIDEA's ability to enter into projects that involve a lease.

**Section 6:** requires legislative approval before AIDEA may enter into a gas supply contract with a natural gas producer in order to supply natural gas to Interior utilities unless the gas contract is for a

natural gas liquefaction plant or distribution system that is owned by the Authority or a subsidiary of the Authority.

**Section 7:** prohibits AIDEA from using the SETS fund to purchase natural gas reserves or a gas lease or a working interest owner of a natural gas lease.

Mr. Therriault acknowledged concerns that AIDEA occasionally used its Enterprise Fund to invest in oil and gas infrastructure and in doing so would take as collateral for the loan an ownership in the potential production of oil and gas out of the facilities. He said that work had been done to add the restriction in Section 7, without upsetting any ongoing AIDEA interaction of funding oil and gas infrastructure.

**Section 8:** amends the definition of "qualified energy development" that qualifies for SETS financing to include consideration of propane and possible delivery of natural gas to Interior Alaska via pipeline no larger than 12 inches in diameter.

**Section 9:** refreshes a previous AIDEA bond authorization for a bulk commodity handling facility in Cook Inlet. The language requires the facility to be located at Point MacKenzie.

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Vice-Chair Micciche asked for the primary reason that new legislation had to be drafted in order for the project to continue.

Mr. Therriault replied that the primary reason could be found in Section 10 of the legislation; the removal of the words, "on the North Slope."

Vice-Chair Micciche asserted that parochialism was creeping back into the bill. He opined that qualifiers were being added to the legislation that would limit the ability to provide inexpensive natural gas to people in the Interior and Fairbanks.

Mr. Therriault stated that as the bill moved through the committee process in both bodies, the language had evolved. He said that the language had not been in the

administration's original bill. He said that if the refreshed authorization went into the final bill, it would not be attached to the IEP project.

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Mr. Therriault returned to the sectional analysis:

**Section 10:** changes the uncodified law [11(a), ch. 26, SLA 2013] that deals with the Interior Energy Project (IEP). Deletes the phrase "on the North Slope" and changes it to "in the state that will provide natural gas to Interior Alaska" so that natural gas can be sourced anywhere in the state. The section also clarifies that existing IEP financing can be used to support more than one natural gas distribution system in Interior Alaska. Requires the AIDEA Board to approve a project plan by resolution that includes the following items before SETS financing tools can continue to be used for the IEP.

1. An identified source of natural gas or propane
2. An estimated cost of the project
3. An estimated price for the resource delivered to Interior Alaska utilities

**Section 11:** reduces a previous AIDEA bond authorization at the Anchorage International Airport from \$85,000,000 to \$28,000,000.

**Section 12:** repeals legislative bond authorizations (1994 through 2006) under 44.88.095(g) for potential projects that were determined not to be feasible or did not move forward for other reasons. The repeal of these authorizations would be beneficial to AIDEA's bond rating as AIDEA moves forward to utilize its bonding capacity for future projects. Authorizations to be repealed include:

1. \$50,000,000 for construction of processing facility for seafood (ASI) - 1993 authorization.
2. \$20,000,000 to assist in construction of Kodiak launch complex facilities 1995 authorization.
3. \$80,000,000 to fund expansion at Red Dog port - 1998 authorization.
4. \$30,000,000 to finance improvement at Nome port facility - 1998 authorization.

5. \$25,000,000 to finance development at Hatcher Pass located in Matanuska-Susitna Borough - amended 2006 authorization.
6. \$20,000,000 to finance construction of port facilities on Lynn Canal - 2004 authorization

**Section 13:** places a sunset of June 30, 2019 on the bulk commodity handling facility bonding authorization contained in Section 9.

**Section 14:** authorizes AIDEA to issue bonds to finance infrastructure and construction cost of the Sweetheart Lake hydroelectric project not to exceed \$120,000,000 if a project financing application is submitted that meets the Authorities due diligence standards and investment criteria.

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Co-Chair MacKinnon asked where Sweetheart Lake was located. Mr. Therriault related that it was just due south of Juneau.

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Mr. Therriault continued with the sectional analysis:

**Section 15:** authorizes AIDEA to issue bonds to finance Railbelt electric transmission upgrades between Hope substation and Portage, between Powerline Pass and Indian and to the Eklutna hydroelectric system. The total bonding authorization for the Hope/Portage and Powerline Pass/Indian improvements may not exceed \$107,100,000. The total authorization for the Eklutna system may not exceed \$20,400,000.

**Section 16:** authorizes the Alaska Energy Authority to enter into a loan from the Power Project Fund for up to \$3,000,000 for the King Cove Waterfall Creek hydroelectric project if a project financing application is submitted that meets AEA's due diligence standards and investment criteria.

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Co-Chair MacKinnon asked how high the priority ranked on the renewable energy list.

Mr. Therriault said he would provide the information at a later date.

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Mr. Therriault returned to the sectional analysis:

**Section 17:** requires AIDEA to submit a quarterly report on the status of the Interior Energy Project. Also instructs AIDEA to provide briefings to the Legislative Budget and Audit Committee when requested.

**Section 18:** places a sunset of June 30, 2019 on the Sweetheart Lake, Railbelt transmission and Waterfall Creek bond authorizations contained in Sections 14, 15 and 16.

**Section 19:** places a sunset of June 30, 2020 on the reporting requirements contained in Section 17.

**Section 20:** provides an immediate effective date on the legislation.

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Vice-Chair Micciche asked for the total general fund dollars expended through the capital budget for the current year.

Co-Chair MacKinnon specified that it was \$113 million.

Vice-Chair Micciche contended that in order to get the votes needed to move the bill out of the house, \$224 million in projects had been added to the legislation. He hoped that the committee could work to craft legislation that would help residents in the Interior, without scattering the focus around the state to, "collect votes."

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Co-Chair Kelly asserted that there was not \$224 million in extra projects in the bill. He pointed out that the bill had a zero fiscal note, and said that was because the projects would have to go through due diligence and would not get funded if they were not good projects. He stated

that it was possible that none of the projects would see fruition.

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Senator Hoffman stated that he was trying to reconcile the differences between the reporting requirement sunset dates in the two bills.

Mr. Therriault explained that the other body had proposed that 5 years was adequate, but that the chair of Senate Resources had felt that a longer period of time would be better. He said that either date, or something in-between, would be acceptable.

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Co-Chair MacKinnon noted that in Section 12, there were projects listed from Kodiak, Red Dog, Nome, Hatchers Pass (MatSu), and Lynn Canal.

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Vice-Chair Micciche said that he was focused on providing lower cost energy to the Interior. He proposed that all projects be evaluated with caution.

[3:53:04 PM](#)

Mr. Therriault pointed out that in the Governor's transmittal letter, there was a breakdown of all of the projects that were being repealed.

[3:53:22 PM](#)

Senator Dunleavy thought that the same information had been written into SB 50.

[3:53:41 PM](#)

Co-Chair MacKinnon stated that she wanted to simultaneously take public testimony for SB 50 and HB 105.

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Co-Chair MacKinnon OPENED public testimony for SB 50 and HB 105.

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AT EASE

[3:55:14 PM](#)

RECONVENED

JOMO STEWART, FAIRBANKS ECONOMIC DEVELOPMENT CORPORATION, FAIRBANKS (via teleconference), testified in support of HB 105 and SB 50. He hoped that the project would address clean air and energy problems in Fairbanks, and that the project could be replicable for other communities in the state. He discussed turning Alaska's gas into a movable commodity. He said that in planning the project, a replicable funding model was sought. He idealized that the success of the project would serve as a path for other communities to follow.

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PAMELA THROOP, SELF, FAIRBANKS (via teleconference), testified in support of SB 50 and HB 105. She thought that it was imperative that the citizens of the Fairbanks area receive immediate relief and that this was a pivotal time in the city's history that would determine whether it thrived or died. She thought that the bill would give AIDEA the latitude to do research that would reveal the best alternatives for affordable energy for the area. She shared that she favored propane. She did not think that liquefied natural gas was a viable option.

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ROGER BURGGRAF, SELF, FAIRBANKS (via teleconference), testified in support of SB 50 and HB 105. He expressed concern for the air quality in Fairbanks and the Interior, as well as the need for affordable energy in the area. He referred to the decreasing population in Fairbanks and attributed it to high energy costs. He stressed the need for affordable fuel in rural communities. He hoped that the legislature and the administration could work together on the issue.

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MERRICK PEIRCE, SELF, FAIRBANKS (via teleconference), testified in support of SB 50 and HB 105. He believed that HB 105 would allow the greatest number of options to

include an evaluation of propane and a small gas pipeline. He noted that propane had great potential benefit for rural Alaska. He felt that SB 23 had been too limiting. He said that due to the lack of affordable clean energy, the air quality in the Interior was terrible, putting lives at stake. He thought that the economy in the Interior would be bolstered through the legislation.

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GARY HENNIGH, CITY MANAGER, KING COVE (via teleconference), testified in support (??) of SB 50 and HB 105. He said the City of King Cove was the most prolific, single site, renewable energy community in Alaska. He related that King Cove successfully utilizes a hydroelectric facility and was in the process of constructing a second hydroelectric facility. He said the Waterfall Creek project was currently one of the top ranked projects on the renewable energy fund list. He said that when the grant money for Waterfall Creek was added to the loan money still needed, the project would be over \$5 million; which was why the project was in the bill. He stated that with the completion of the second project, 80 percent of the annual power in King Cove would come from renewable energy. He relayed that King Cove had the lowest PCE cost in rural Alaska.

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Co-Chair MacKinnon asked about the cost of the first project in renewable energy in King Cove, and how much the state contributed.

Mr. Hennigh relayed that the first project, in 1994, cost approximately \$6 million and was 35 percent funded by the state. He added that the city contribute 40 percent of the cost and the rest came from federal energy grants.

Co-Chair MacKinnon asked how much the state would contribute to the second project's \$6.5 million price tag.

Mr. Hennigh replied that the project was on the current renewable energy fund list for an additional capital grant of \$1.5 million. He opined that an additional \$1.2 million would be needed in order to put together the total funding scenario to reach the \$6.5 million.

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LISA HERBERT, DIRECTOR, GREATER FAIRBANKS CHAMBER OF COMMERCE, FAIRBANKS (via teleconference), testified in support of HB 105. She shared that stakeholders in her community had been engaged in conversations with AIDEA and encouraged the legislature to remain committed to, and supportive of, the stated goals of the Interior Energy Project.

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Vice-Chair Micciche asked Ms. Herbert if she also supported SB 50.

Mr. Herbert understood that HB 105 would be the vehicle for the project. She said that it was important that AIDEA have optionality, and looked to the legislature to pass a bill that would allow forward movement with the Interior Energy Project.

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JIM DODSON, FAIRBANKS ECONOMIC DEVELOPMENT CORPORATION, FAIRBANKS (via teleconference), testified in support of SB 50 and HB 105. He reiterated concern for the air quality in Fairbanks and the need for affordable energy in the Interior; he believed that the project would help to improve both issues. He believed that bringing affordable energy to the state would help to diversify Alaska's economy.

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LUKE HOPKINS, MAYOR, FAIRBANKS NORTHSTAR BOROUGH, FAIRBANKS (via teleconference), testified in support of HB 105. He understood that SB 23 had put forth the majority of funding for the Interior Energy Project in the form of bonds that would be paid back by the rate payers. He hope that HB 105 would move forward as amended.

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ANDRE LARUE, SELF, JUNEAU (via teleconference), testified in support of SB 50 and HB 105. He expressed distain for the legislature "handcuffing" AIDEA in its decision making process. He believed that any and all affordable energy projects should be explored.

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AT EASE

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RECONVENED

Co-Chair MacKinnon CLOSED public testimony for HB 105 and SB 50.

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Co-Chair Kelly commented that the extra projects attached to the legislation diluted the original focus of the bill. He said that the repealers in the bill totaled \$332 million.

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AT EASE

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RECONVENED

Co-Chair MacKinnon reiterated that HB 105 would be the vehicle for the legislation moving forward. She clarified that the CS for SB 50(RES) would be inserted verbatim into HB 105. She stated that amendments would be accepted until noon the following day.

[4:25:01 PM](#)

Senator Dunleavy asked for clarification on the legislative vehicle.

Co-Chair MacKinnon responded that amendments should conform to what already existed in the bill version that had come out of Senate Resources.

[4:25:21 PM](#)

Co-Chair Kelly asked if whether it would made sense to amend HB 105 with SB 50.

[4:26:39 PM](#)

AT EASE

[4:28:01 PM](#)

RECONVENED

Co-Chair MacKinnon explained that the committee would bring an updated version of the bill before the committee the following day and consider amendments.

#

ADJOURNMENT

4:28:27 PM

The meeting was adjourned at 4:28 p.m.