

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

March 1, 2022

10:19 a.m.

**MEMBERS PRESENT**

Representative Calvin Schrage, Chair  
Representative Chris Tuck  
Representative Matt Claman  
Representative Tiffany Zulkosky  
Representative Zack Fields  
Representative George Rauscher  
Representative James Kaufman

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 299

"An Act relating to microreactors."

- MOVED HB 299 OUT OF COMMITTEE

HOUSE BILL NO. 358

"An Act relating to the renewable energy grant fund and recommendation program; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 299

SHORT TITLE: MICROREACTORS

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/04/22	(H)	READ THE FIRST TIME - REFERRALS
02/04/22	(H)	ENE, RES
02/08/22	(H)	ENE AT 10:15 AM ADAMS 519
02/08/22	(H)	Heard & Held
02/08/22	(H)	MINUTE(ENE)
02/10/22	(H)	ENE AT 10:15 AM ADAMS 519
02/10/22	(H)	Heard & Held
02/10/22	(H)	MINUTE(ENE)

02/15/22 (H) ENE AT 10:15 AM ADAMS 519  
02/15/22 (H) Heard & Held  
02/15/22 (H) MINUTE (ENE)  
03/01/22 (H) ENE AT 10:15 AM ADAMS 519

BILL: HB 358

SHORT TITLE: RENEWABLE ENERGY GRANT FUND  
SPONSOR(S): EDGMON

02/22/22 (H) READ THE FIRST TIME - REFERRALS  
02/22/22 (H) ENE, FIN  
03/01/22 (H) ENE AT 10:15 AM ADAMS 519

**WITNESS REGISTER**

REPRESENTATIVE BRYCE EDGMON  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, offered a brief introduction to HB 358.

LAIB ALLENSWORTH, Staff  
Representative Bryce Edgmon  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented HB 358 on behalf of Representative Edgmon, prime sponsor.

CURTIS THAYER, Executive Director  
Alaska Energy Authority  
Department of Commerce, Community, and Economic Development  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions on HB 358.

MICHAEL ROVITO, Deputy Director  
Alaska Power Associates  
Anchorage, Alaska

**POSITION STATEMENT:** Provided testimony during the hearing on HB 358.

**ACTION NARRATIVE**

[10:19:53 AM](#)

**CHAIR CALVIN SCHRAGE** called the House Special Committee on Energy meeting to order at 10:19 a.m. Representatives Tuck, Claman, Kaufman, Rauscher, Zulkosky, and Schrage were present at

the call to order. Representative Fields arrived as the meeting was in progress.

### HB 299-MICROREACTORS

[10:20:29 AM](#)

CHAIR SCHRAGE announced that the first order of business would be HOUSE BILL NO. 299, "An Act relating to microreactors."

[10:21:12 AM](#)

The committee took a brief at-ease at 10:21 a.m.

[10:21:36 AM](#)

REPRESENTATIVE ZULKOSKY moved to report HB 299 out of committee with individual recommendations and the accompanying fiscal notes.

[10:21:56 AM](#)

REPRESENTATIVE TUCK objected for the purpose of discussion. He referenced that in 2010 the first House Special Committee on Energy put together an initial energy policy for the state. The policy addressed cost-effective ways to deliver energy throughout rural Alaska. He shared a personal antidote about a suggestion to "park a submarine outside" of Dillingham in the summer as an energy source for making ice for the fisheries. He continued that then there had been an effort to get nuclear [energy] added to the policy, but the microreactor technology had just been developed. He surmised that it is hard to compete with the concentration of energy that comes from nuclear supplies, and it competes very well with wind or solar. He said that an average person throughout his/her lifetime would produce a "pea-sized amount of waste" using nuclear energy. He qualified that the waste would be concentrated. Comparing the Three Mile Island nuclear accident to the accidents at Chernobyl and Fukushima, he argued that the results show the systems in the U.S. are safer. He continued that unfortunately the accidents at Chernobyl and Fukushima have "put a blackeye" on nuclear technologies. In order to meet the energy needs of communities in Alaska that are remote and off the main grid, he offered his support of HB 299.

REPRESENTATIVE TUCK removed his objection. There being no further objection, HB 299 was reported out of the House Special Committee on Energy.

[10:24:34 AM](#)

The committee took an at-ease from 10:24 a.m. to 10:26 a.m.

**HB 358-RENEWABLE ENERGY GRANT FUND**

[10:26:41 AM](#)

CHAIR SCHRAGE announced that the final order of business would be HOUSE BILL NO. 358, "An Act relating to the renewable energy grant fund and recommendation program; and providing for an effective date."

[10:26:44 AM](#)

REPRESENTATIVE BRYCE EDGMON, Alaska State Legislature, as prime sponsor, offered a brief introduction to HB 358. He stated that the proposed legislation would extend the Renewable Energy Fund (REF) grant program, which the Special Committee on Energy created in 2009. Following a period of austerity in the state due to low oil prices, he said that in 2009 the state had been "flush" with oil money. At that time there had been an effort to address energy needs with the surplus of money, and the state created energy assistance programs, including REF. Since that time, he estimated \$50 million to \$100 million have gone into programs. He said, "Clearly this committee does not need to be reminded that Alaska is a storehouse of vast renewable energy opportunities, running the entire gamut from solar down to geothermal, and the wind turbines."

[10:29:52 AM](#)

LAIB ALLENSWORTH, Staff, Representative Bryce Edgmon, presented HB 358 on behalf of Representative Edgmon, prime sponsor. He stated that the proposed legislation would extend the REF grant program for 10 years. He reported that, since its inception in 2008, REF has distributed over \$275 million in grant money for renewable energy projects. He said that 244 grants have been given, and 95 projects are currently providing renewable energy to high-cost energy areas in the state. He stated that the proposed legislation is fairly simple. It would amend the 2008 law, as amended in 2012, to add a repeal date of June 30, 2033. An immediate effective date would be added, and there would be a

fiscal note for \$1.4 million, which is included in the governor's budget. He stated that the fiscal note would be for the maintenance of the fund, which includes financial services and the oversight of existing and new grants. He explained that the REF grant program operates in rounds of open applications, and currently Round 14 is in process. Applications are considered based on their economic and technical feasibility. Once AEA makes recommendations, it sends the applications to the Renewable Energy Fund Advisory Committee (REFAC), and REFAC sends its recommendations to the legislature for approval. He deduced that improved technology would make added resources for renewable energy available; thus, AEA would receive more applications in the future.

[10:32:38 AM](#)

REPRESENTATIVE RAUSCHER, referencing the fiscal note, questioned whether the \$1.4 million, under services, would be a capital outlay. If so, he questioned which services would be funded.

REPRESENTATIVE EDGMON responded that he had asked DCCED this question. He clarified that the \$1.4 million is not new money. It is existing money, operational in scope, used to run the renewable energy grant program. He said the competitive grant process currently is in Round 14, which entails an infusion of money to administer. He explained that since the passage of legislation in 2016 the funding sources for the program go through the "waterfall" effect of the Power Cost Equalization Endowment Fund. He said that the \$1.4 million is the money to operate the program with AEA, and this is already embedded in the budget.

[10:34:06 AM](#)

REPRESENTATIVE EDGMON, in response to a follow-up question, reiterated that the money is used to operate the program. He deferred to Mr. Allensworth.

LAIB ALLENSWORTH explained that the \$1.4 million is for grant management oversight, project management, and technical and accounting support for the fund. He added that, in general, it provides the maintenance needed to keep the program going by supporting existing projects and managing the financial side of the fund.

[10:35:12 AM](#)

CHAIR SCHRAGE requested that [a representative from the Department of Commerce, Community, and Economic Development (DCCED)] clarify the funding [on the fiscal note].

[10:35:28 AM](#)

CURTIS THAYER, Executive Director, Alaska Energy Authority (AEA), Department of Commerce, Community, and Economic Development, explained that the \$1.4 million is the current funding for [REF] Round 13. He stated that the fiscal note is indeterminate because future costs of the program would be directly related to the money available to the fund, number of participants, and length of the grants. He explained that there are currently 38 active grants, and the \$1.4 million is to manage those grants with staff time for the next five years. He continued that if there were no funding in the future, there would be no future cost for the program, as these funds are to maintain the active grants. He reiterated that [REF] Round 14 is complete, and through the "cascading waterfall" [effect] there is \$15 million in the governor's budget for this round. He stated that 39 applicants are going through the process, but not all of these applicants will meet the standards. He stated that the \$15 million covers these ongoing costs. He reiterated that future costs would be determined by the legislature.

[10:37:36 AM](#)

MR. THAYER, responding to a follow-up question, clarified that AEA currently has budgeted funding for current grants through this program. He explained that the funding would be indeterminate. He gave the following example: if next year the legislature puts \$50 million into the program, the fiscal note would be higher because of the need to manage the increased funds and grants; if the program is unfunded next year, there would be no cost for maintaining the program because no grants would be issued.

[10:38:50 AM](#)

REPRESENTATIVE CLAMAN questioned the language in the fiscal note analysis that related there would be no new grants issued if the proposed legislation is adopted.

MR. THAYER responded that the language is drafted this way because the proposed legislation would only extend the program; the approval of future grants would be by the legislature and governor, and this remains unknown. He stated that there is not

a guaranteed revenue source for the grant program, as it is funded year by year. He added that this year \$15 million has been requested, last year \$4.7 million had been requested, and the previous three years the legislature did not fund the program. He stated that if the bill is adopted, no grants would be issued until funding is approved.

[10:40:09 AM](#)

REPRESENTATIVE CLAMAN, with a follow-up comment, expressed the understanding that HB 358 would not authorize new grants in and of itself. He continued that the legislature could authorize more grants in a separate action, but the proposed legislation would not create new grants.

MR. THAYER responded in agreement.

[10:40:30 AM](#)

REPRESENTATIVE FIELDS questioned how REF would work in relation to competitive grants disbursed through the federal Infrastructure Investment and Jobs Act (IIJA). He speculated that there could be dozens of competitive grants. He expressed the assumption that some of the REF money could be used as a match to compete for the IIJA money. He requested that Mr. Thayer comment on this.

[10:41:04 AM](#)

MR. THAYER responded that AEA is investigating what is available through IIJA, as some state funds may be matched with federal dollars. He stated that historically around \$270 million [from REF] has been appropriated, and there has been \$138 million in applicant matching funds to date. He stated that matching grant funds have been successful, but guidance is still being sought on IIJA. For the committee's current purpose, the proposed legislation would extend the program to 2033. He stated that IIJA would be one of the areas for future consideration.

[10:42:07 AM](#)

REPRESENTATIVE EDGMON recollected that REF has often been used as startup funding, directing the money toward the feasibility or design stage. He suggested that this has been the practice because renewable energy ultimately does not "pencil out." He added that renewable energy is worth exploring because the possibility is there. He referenced communities with wind

turbine projects that were initially feasible but do not operate now. Referencing the purpose of the grants from REF, he asked Mr. Thayer whether this money would align with the "shovel ready aspect" of IIJA money. He considered that it may complement the federal money.

MR. THAYER replied that this is a good point. He clarified that much of REF is for start-up money and provided the example of the hydro project in Angoon which is now requesting IIJA funds to move to the construction stage. He continued that many of the REF grants were given to test the viability of a project. Referencing the history of REF, he said that the fund has put \$34 million towards Railbelt issues and \$250 million into rural Alaska. He said that [REF] Round 13 [grants] include wind feasibility in Unalaska, hydro storage in Cordova, and wind energy feasibility and conceptual design in Goodnews Bay. He considered that most of these are the building blocks to obtain additional federal funding, whether it is IIAJ or other sources. He explained that AEA also has a Power Project Fund providing loans for feasibility, final design, or preliminary construction on viable projects. He said that this fund can also work as a complementary program, but the first step would be to determine the feasibility.

[10:45:28 AM](#)

REPRESENTATIVE FIELDS said, "That's very compelling information that motivates me more to help get this bill across the finish line." He questioned whether the \$15 million in the budget would be "adequate to position us to do the necessary planning to compete for these funds." He expressed the opinion that [AEA] has more competition for funds than the other [DCCED] programs.

[10:45:58 AM](#)

MR. THAYER responded that when AEA made its budget for the year, \$15 million had been set aside for legislative consideration for this program. He said that during this time AEA began [REF] Round 14 with 39 applicants for a total of \$19.2 million in requests. He expressed the opinion that some applications will be disqualified for various reasons, but AEA is well positioned within the [designated] \$15 million. He suggested that in the future the legislature may want to direct attention to raising the eligibility cap for communities. He stated that right now AEA is operating at \$1 million while grant requests are operating at \$500,000. He expressed the realization that this

is not currently under consideration for the proposed legislation.

[10:47:21 AM](#)

REPRESENTATIVE EDGMON, in reference to a point made by Representative Fields, stated that the legislature renews many different state boards. He explained that [renewing the REF program] for 10 years is justified considering the past performance of the fund and support it would provide in the future. He suggested that the extension would give communities which currently do not qualify for a grant an opportunity to apply in the next few years. He questioned whether the Denali Commission has come before the committee. He stated that the Denali Commission is receiving \$75 million through IIJA and has an interest in energy projects. He suggested that the committee invite the commission to join the conversation.

[10:48:41 AM](#)

MR. THAYER, in response to Representative Rauscher, stated that he would provide to the committee a cost breakdown of the \$1.4 million over the past two years.

CHAIR SCHRAGE, in response to Representative Edgmon, commented that the committee would welcome the Denali Commission and questioned whether Mr. Thayer would be able to facilitate this. He added that the committee would also be interested in further discussions with AEA about some of the grant opportunities.

MR. THAYER responded that he would reach out to the Denali Commission. He pointed out that AEA has been working with the Denali Commission as a primary partner on powerhouse and bulk fuel projects, and discussions have focused on the \$75 million [from IIJA]. He added that about \$1.1 billion would be needed to maintain these two programs, and AEA and the Denali Commission have been tackling this. He acknowledged that not all of the [\$75 million] would be available to the state, as the Denali Commission has other projects.

[10:50:51 AM](#)

CHAIR SCHRAGE opened public test on HB 358.

[10:51:12 AM](#)

MICHAEL ROVITO, Deputy Director, Alaska Power Associates (APA), shared that APA is a statewide trade association for electric utilities in Alaska serving more than 500,000 Alaskans across the state. He offered that APA is in full support of HB 358 and strongly urges passage of the bill this session. He stated that many of APA's electric utility members have received crucial funding from REF. These funds have supported the addition of renewable energy projects which have lowered reliance on diesel fuel, stabilized rates, and decreased the carbon footprint. As mentioned during the hearing, he stated that there have been 244 REF grants totaling \$275 million since the program's inception. These funds have helped build over 95 operating projects, saving more than 30 million gallons of diesel each year. He expressed the opinion that REF is an extremely valuable program and is worthy of continued operation. He drew attention to the numerous projects under consideration for future rounds of REF grants. As in the past, a deliberative process run by the AEA, and reviewed by REFAC, would choose the projects. Extending the sunset date of the program would continue the innovation of the power systems in the state. He thanked the bill sponsor and the committee.

[10:53:17 AM](#)

CHAIR SCHRAGE, after ascertaining there was no one else who wished to testify, closed public testimony on HB 358.

[10:53:23 AM](#)

CHAIR SCHRAGE announced HB 358 was held over.

[10:53:37 AM](#)

#### **ADJOURNMENT**

CHAIR SCHRAGE There being no further business before the committee, the House Special Committee on Energy was adjourned at 10:53 a.m.