

ALASKA STATE LEGISLATURE  
HOUSE SPECIAL COMMITTEE ON ENERGY

March 3, 2022

10:19 a.m.

**MEMBERS PRESENT**

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

**MEMBERS ABSENT**

Representative Zack Fields

**COMMITTEE CALENDAR**

HOUSE BILL NO. 247

"An Act relating to the power cost equalization endowment fund."

- HEARD & HELD

HOUSE BILL NO. 358

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

- MOVED HB 358 OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 247

SHORT TITLE: POWER COST EQUALIZATION FUND

SPONSOR(S): REPRESENTATIVE(S) THOMPSON

01/18/22	(H)	PREFILE RELEASED 1/7/22
01/18/22	(H)	READ THE FIRST TIME - REFERRALS
01/18/22	(H)	ENE, FIN
02/15/22	(H)	ENE AT 10:15 AM ADAMS 519
02/15/22	(H)	Heard & Held
02/15/22	(H)	MINUTE(ENE)
03/03/22	(H)	ENE AT 10:15 AM BARNES 124

BILL: HB 358

SHORT TITLE: RENEWABLE ENERGY GRANT FUND

SPONSOR (S) : REPRESENTATIVE (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
03/01/22	(H)	Heard & Held
03/01/22	(H)	MINUTE (ENE)
03/03/22	(H)	ENE AT 10:15 AM BARNES 124

#### **WITNESS REGISTER**

REPRESENTATIVE STEVE THOMPSON

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, answered questions on HB 247, Version I.

CURTIS THAYER, Executive Director

Alaska Energy Authority

Department of Commerce, Community, and Economic Development

Anchorage, Alaska

**POSITION STATEMENT:** Answered questions on HB 247, Version I.

#### **ACTION NARRATIVE**

[10:19:55 AM](#)

**CHAIR CALVIN SCHRAGE** called the House Special Committee on Energy meeting to order at [10:19] a.m. Representatives Tuck, Claman, Zulkosky, Kaufman, and Schrage were present at the call to order. Representative Rauscher arrived as the meeting was in progress.

#### **HB 247-POWER COST EQUALIZATION FUND**

[Contains discussion of HB 299.]

[10:20:45 AM](#)

CHAIR SCHRAGE announced that the first order of business would be HOUSE BILL NO. 247, "An Act relating to the power cost equalization endowment fund." [Before the committee, adopted as a working document during the 2/15/22 House Special Committee on Energy meeting, was the proposed committee substitute (CS) for HB 247, Version 32-LS1301\I, Marx, 1/26/22 ("Version I").]

[10:20:55 AM](#)

REPRESENTATIVE KAUFMAN moved to adopt Amendment 1 to HB 247, Version I, labeled 32-LS1301\I.1, Marx, 2/24/2022, which read as follows:

Page 2, line 6, following "upgrades,":  
Insert "for micronuclear reactors,"

[10:21:03 AM](#)

CHAIR SCHRAGE objected for the purpose of discussion.

REPRESENTATIVE KAUFMAN explained the purpose of the proposed amendment is to align Version I with previous work done in the committee concerning micronuclear reactors. He stated that the amendment would add "for micronuclear reactors" on page 2, line 6, after "bulk fuel upgrades,".

REPRESENTATIVE ZULKOSKY requested the bill sponsor explain how Amendment 1 would fit into the purpose of Version I.

REPRESENTATIVE STEVE THOMPSON, Alaska State Legislature, as prime sponsor of HB 247, explained that Amendment 1 would create another tool the Alaska Energy Authority (AEA) could use to reduce energy costs, enabling communities to move away from the Power Cost Equalization Program (PCEP). He stated that if micronuclear reactors become viable and affordable for communities, this would fit with the entire program.

REPRESENTATIVE ZULKOSKY, referencing the presentation to the committee on [HB 299], pointed out [the Alaska Center for Energy and Power] (ACEP) clarified that microreactor technology is not at a point where it can be used in rural communities. She recalled from the ACEP presentation that micronuclear reactors would be better suited for communities on the road system, not villages. She pointed out that villages are the primary communities served by PCEP. She expressed appreciation for the intent of the amendment but stated she could not support Amendment 1 to HB 247, Version I, because of the lack of technical capacity in villages served by PCEP. She expressed interest in the result of other legislation that is before the committee, [as this may be relevant] to Version I.

[10:24:40 AM](#)

REPRESENTATIVE THOMPSON responded that microreactor technology is developing and would not be available for a few years. He

posited that if [the definition] was in statute, grants could become available after technological advancements allowed micronuclear reactors in rural villages. He added that the idea is to reduce the need for power cost equalization (PCE) in the state, including the villages. He expressed the opinion that the technology will eventually advance, and this should be "on the books to where this would be one of the tools in the toolbox."

CHAIR SCHRAGE requested that a representative from the Department of Commerce, Community, and Economic Development (DCCED) comment on the question.

[10:25:59 AM](#)

CURTIS THAYER, Executive Director, Alaska Energy Authority, Department of Commerce, Community, and Economic Development, offered that DCCED does not hold a position on [Amendment 1 to HB 247, Version I]. He offered his understanding of both points of view. He said that there would not be the capability in some communities, but technology is emerging, and the prediction of its capacity in the future is unknown.

[10:26:26 AM](#)

REPRESENTATIVE CLAMAN mentioned an issue raised in the discussion of micronuclear reactors during a hearing on [HB 299]. He stated that currently the legislature would have to authorize any nuclear reactor sited in Alaska in a separate legislative act. He expressed the understanding that, if passed, [HB 299] would remove the requirement for legislative authority. Concerning the amendment, he questioned whether the added language would be "getting the cart before horse." He expressed the belief that this would be problematic.

REPRESENTATIVE KAUFMAN said if HB 299 does not pass, the legislative authority would remain the same, and Version I would only allow [a micronuclear reactor to be sited] through approval from the legislature. He said, "It is not letting the horse out of the barn door because we still have legislative authority."

REPRESENTATIVE CLAMAN, with a follow-up comment, explained one of the reasons for his reluctance is "it feels like we are not at that place yet." He questioned whether a micronuclear reactor should be included as a rural power system upgrade (RPSU).

[10:29:12 AM](#)

MR. THAYER explained that a common reference for RPSU is a powerhouse, which includes the diesel generation unit and the distribution into the community.

REPRESENTATIVE CLAMAN, with a follow-up question, voiced the understanding of the common application, but he questioned whether there is a definition in statute for RPSU. He speculated that if it is not defined in statute, a decision could be made to include micronuclear reactors as an RPSU. He suggested this could be done today.

MR. THAYER indicated that the reference is found in DCCED's regulations.

REPRESENTATIVE CLAMAN, with a follow-up comment, clarified that the term is in the regulation but not in statute. He maintained that the legislature would not have to change the statute for the regulation to change.

MR. THAYER responded in the affirmative.

REPRESENTATIVE CLAMAN, with a follow-up comment, explained that because of the timing of the amendment, and the department's existing regulatory power to expand the meaning of RPSU, he would not be supporting Amendment 1 to HB 247, Version I.

REPRESENTATIVE KAUFMAN voiced the opinion that the intent of the amendment would be to create a pathway should a village be able to move from diesel power; the amendment would futureproof the ability to use developing technology. He said, "The commonality of new technology is that it gets smaller, cheaper, more available, and more reliable." He expressed the belief that [micronuclear reactors] are on the verge of this advancement. Unless there is a change in statute, he said, the authority would remain with the legislature with "no risk of the horse being let out of the barn." He stated that there are concerns about nuclear power because of past designs and performance issues, and he expressed the belief that [nuclear power would not carry these concerns] in the future. He added that there may not be a willingness to change the regulation unless it is in statute. He argued that if there is a reliable, safe, affordable substitute [for energy], leadership would need to be provided to move communities away from diesel.

[10:32:33 AM](#)

REPRESENTATIVE KAUFMAN, in response to Representative Rauscher, recited the amendment as it would appear in the proposed legislation.

REPRESENTATIVE RAUSCHER voiced the opinion that micronuclear reactors would become part of the future. He offered his support for Amendment 1 to HB 247, Version I.

[10:34:45 AM](#)

REPRESENTATIVE TUCK stated that the proposed legislation would add a new subsection for renewable energy projects which aligns with the state's energy policy created in 2010. He deduced that micronuclear reactors would align with this energy policy and the state's vision for development. He stated that the regulation could be changed, but if it was put in statute, it would be definite. He offered his support for Amendment 1 to HB 247, Version I. He stated that the proposed legislation would not be reenacting the PCE fund but adding renewable energy. As a sidenote, he shared that the micronuclear project originated in the village of Galena. The village had considered a reactor project 12 years ago, and this interest caught the legislature's attention.

[10:36:29 AM](#)

CHAIR SCHRAGE removed his objection to the motion to adopt Amendment 1 to HB 247, Version I.

REPRESENTATIVE ZULKOSKY objected.

[10:36:40 AM](#)

A roll call vote was taken. Representatives Tuck, Rauscher, Kaufman, and Schrage voted in favor of Amendment 1 to HB 247, Version I. Representatives Claman and Zulkosky voted against it. Therefore, Amendment 1 was adopted by a vote of 4-2.

[10:37:46 AM](#)

REPRESENTATIVE ZULKOSKY voiced her support to decrease rural communities' reliance on diesel and expand the renewable energy fund (REF). She reminded the committee that PCEP is important because it provides equity in energy costs throughout the state. She requested an explanation of the risks if the REF cap is

removed. She questioned whether the PCE Endowment Fund would be destabilized.

[10:39:09 AM](#)

MR. THAYER, in response, explained that the [current] earnings of the PCE Endowment Fund are approximately \$1.1 billion. The earnings would first be paid out to PCE at about \$30 million, and then it would pay the Community Assistance Program \$30 million. After these payments, an estimated \$25 million of excess earnings would go to REF. He stated that this year \$55 million would be left "on the table," which would go back into the endowment fund. He argued that if the \$25 million cap had been removed [from REF], AEA would have been allowed to possibly capture additional federal funding. This year, for example, \$10 million for powerhouses has been matched with federal funding, totaling \$20 million. If the cap had not been in place, a match of \$50 million for federal funds could have been made, totaling \$100 million for rural Alaska powerhouses and bulk fuel upgrades. He said that the deferred maintenance for powerhouses is estimated to be \$300 million, and the deferred maintenance for bulk fuel upgrades is estimated to be \$800 million. He pointed out that this is the first time in the last three years earnings have been able to tap into the "cascading waterfall" of the \$25 million. Last year \$48 million in earnings paid for PCE and a portion of the Community Assistance Program from the previous two years, which equaled an average of \$72 million. He added that last year the earnings did not tap into the [cascading waterfall] of the \$25 million.

MR. THAYER, in response to a follow-up question, clarified that there is no discrimination in the state where the funding is available. He stated that approximately \$34 million has been used on Railbelt projects and \$248 million has been used in rural Alaska. He maintained that, predominantly, rural Alaska benefits from REF.

REPRESENTATIVE ZULKOSKY, with a follow-up comment on the intent of the PCE Endowment Fund, pointed out the significant challenges rural Alaskans face with increasing energy costs. She voiced the opinion that it would be more appropriate for the legislature to expand funds available to PCE under the initial calculation rather than removing the [REF] cap. Removing the [REF] cap would allow projects to be funded regardless of their location. She argued that PCEP was intended to be a financial instrument to help hold down the energy costs and create equity for rural communities not served by larger renewable energy

projects. She expressed appreciation for the intent of getting communities off of diesel, but she argued that there should be further discussion on which should be adjusted: the PCE calculation or REF cap.

[10:44:04 AM](#)

The committee took an at-ease from 10:44 a.m. to 10:46 a.m.

[10:45:46 AM](#)

CHAIR SCHRAGE announced that HB 247 was held over.

**HB 358-RENEWABLE ENERGY GRANT FUND**

[10:45:52 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."

[10:46:22 AM](#)

REPRESENTATIVE ZULKOSKY moved to report HB 358 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 358 was reported out of the House Special Committee on Energy.

[10:46:50 AM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 10:47 a.m.