

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

February 2, 2023

10:15 a.m.

MEMBERS PRESENT

Representative George Rauscher, Chair
Representative Tom McKay
Representative Stanley Wright
Representative Calvin Schrage

MEMBERS ABSENT

Representative Josiah Patkotak

COMMITTEE CALENDAR

PRESENTATION(S): UTILITY COMPANY UPDATE

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

TONY IZZO, CEO
Matanuska Electric Association
Palmer, Alaska

POSITION STATEMENT: Co-presented a PowerPoint presentation, titled "Railbelt Electric Energy System and Energy Transition."

BRAD JANORSCHKE, General Manager
Homer Electric Association
Homer, Alaska

POSITION STATEMENT: Co-presented a PowerPoint presentation, titled "Railbelt Electric Energy System and Energy Transition."

ARTHUR MILLER, CEO
Chugach Electric Association
Anchorage, Alaska

POSITION STATEMENT: Co-presented a PowerPoint presentation, titled "Railbelt Electric Energy System and Energy Transition."

JOHN BURNS, CEO

Golden Valley Electric Association
Fairbanks, Alaska

POSITION STATEMENT: Co-presented a PowerPoint presentation, titled "Railbelt Electric Energy System and Energy Transition."

ACTION NARRATIVE

[10:15:48 AM](#)

CHAIR GEORGE RAUSCHER called the House Special Committee on Energy meeting to order at 10:15 a.m. Representatives Wright, McKay, Schrage, and Rauscher were present at the call to order.

PRESENTATION(S): UTILITY COMPANY UPDATE

[10:17:41 AM](#)

CHAIR RAUSCHER announced that the only order of business would be an update on utility companies.

[10:18:38 AM](#)

TONY IZZO, CEO, Matanuska Electric Association, co-presented a PowerPoint presentation, titled "Railbelt Electric Energy System and Energy Transition" [hard copy included in the committee packet. He introduced the presenters and their companies.

[10:19:15 AM](#)

BRAD JANORSCHKE, General Manager, Homer Electric Association, began with slide 2 and stated that the Railbelt serves 75 percent of Alaska's population. He pointed out that electricity for the Railbelt is cheap compared to Alaska's rural communities and expensive compared to Southeast Alaska. He explained that this is because Southeast Alaska has hydroelectric opportunities unavailable to the Railbelt communities. He stated that the Railbelt utility companies use 41 percent of the natural gas produced from Cook Inlet, with 85 percent of electricity produced by the utilities coming from this natural gas. He continued to slide 3 and stated that a single transmission line connects the four different companies and their respective areas of coverage. He added that the companies are putting \$166 million towards upgrading the transmission line.

[10:24:05 AM](#)

ARTHUR MILLER, CEO, Chugach Electric Association, continued to slide 4 and stated that the declining natural gas production in Cook Inlet is an upcoming challenge in keeping electricity rates competitive in the Railbelt. He continued to slide 5 and stated that in the past the supply of natural gas was greater than the demand, but the forecasted production shows that there is a likelihood of the supply falling below the demand.

MR. MILLER added that the main goal of the utilities is to keep rates as low as possible while meeting reliability standards. He continued to slide 6 and slide 7 and suggested that there will be a gap in energy production starting in 2027. He said that the options for filling the gap would include using clean energy when economically possible, pursuing natural gas options on the North Slope, and importing liquefied natural gas (LNG). He continued that the transition would require energy storage and upgrades to the transmission infrastructure. He said that the batteries being purchased by the utilities allow the companies to better regulate the system, thus reducing cost and increasing reliability. He said that the use of batteries will make renewable energy more economical.

[10:34:59 AM](#)

MR. IZZO continued with slide 7 and stated that the availability of natural gas is critical for the foreseeable future. He added that the future would also require a diversification of resources. He noted that this would be the third time he has witnessed a similar situation, with each of the past situations being resolved. He continued to slide 8 and stated that energy security is a major goal of the utilities. He provided the definition of "energy security" as the ability to keep the power running. He said that utility companies are continuing to set new goals for renewable energy in order to reduce reliance on natural gas while maintaining the same rates.

MR. IZZO continued to slide 9 and displayed a graph showing the historical and current prices of different forms of energy generation in Alaska, comparing these with the prices during the same period for different forms of energy generation in other parts of the country. He stated that the average price of a megawatt on the Railbelt is still cheaper than many of the other regions in the state. He added that the price of a kilowatt on the Railbelt is 20 cents while the U.S. average is 16 cents.

[10:42:59 AM](#)

JOHN BURNS, CEO, Golden Valley Electric Association, continued to slide 10 and stated that the goal of the utilities is to reduce the price as much as possible along the Railbelt. He advised that achieving this goal would require a "reliable, redundant, and resilient" transmission system. He stated that accomplishing the vision of the utilities would require upgrading the current transmission lines, adding additional lines, and increasing the ability to store energy.

MR. BURNS added that past decisions to build new projects have made a significant impact on the future and referenced the Bradley Lake Hydroelectric Project. He stated that the vision for the Railbelt would be a 10-to-12-year commitment and cost approximately \$250 million. He noted that the utilities have already invested \$166 million.

[10:51:06 AM](#)

MR. BURNS continued to slide 11 and stated that completing the Railbelt's vision would result in increased energy generation, including: renewable energy; increased ability to transport energy; an increase in the scale at which energy can be generated; increased ability to support military facilities in Alaska; increased economic development; and increased rate stability. He added that the utilities would need help from the legislature to avoid putting the burden on the ratepayers.

MR. BURNS continued to slide 12 and stated that there are four priorities that the utilities hope the legislature will accomplish. He listed the priorities: working with the utilities to find a long-term and in-state supply of natural gas; creating a transmission and energy storage infrastructure; leveraging state and federal funding; and creating an economic path to energy sources that will reduce carbon emissions.

[10:59:03 AM](#)

MR. BURNS, in response to a series of committee questions, answered that 33 percent of Golden Valley Electric's energy generation comes from coal, and while it has one plant that works very well, its second plant, Healy Two, has frequent issues. He answered that the energy Golden Valley Electric can buy from Southcentral Alaska is cheaper than producing energy at Healy Two because of Healy Two's frequent issues. He answered that the situation underscores the current need for natural gas availability and the need that the utilities work together.

[11:03:45 AM](#)

MR. IZZO, in response to a committee question concerning the decline of natural gas production in Cook Inlet, answered that gas prices increased dramatically in the early 2000s after the natural gas supply found in the 1950s and 1960s had been depleted. He added that the prices at the time were quite high, and this was an incentive for companies to fund new explorations of natural gas reserves. He stated that in 2006, the prices had another dramatic increase because of companies such as Chevron and Marathon leaving the state. He explained that these companies left the state because of Alaska's lack of connection to the Henry Hub system. He said that in 2014 tax credits brought new companies and investments to Alaska. He stated that a 10-year agreement with another undisclosed utility would have greatly reduced rates, but the deal fell through when the new tax credits were vetoed.

MR. IZZO stated that this began a period of short-term contracts of 1 to 2 years between utilities and natural gas producers. He said that Hilcorp "picked up the pieces" by offering 5-year contracts to supply natural gas. He stated that this experience has led to the utilities creating plans to diversify energy sources. He reiterated that building up the transmission system is important, as doing this would allow for greater diversification. He added that diversification of different power sources is important because power from different parts of the state can be transferred.

[11:14:21 AM](#)

REPRESENTATIVE MCKAY stated that previously he had been a petroleum engineer. He warned that because of the number of years that natural gas has been produced from Cook Inlet, the possibility of running out is serious. He stated that something needs to be done immediately because five years is a short amount of time in the oil and gas industry. He expressed the belief that the Cook Inlet natural gas situation may be the most important issue the legislature faces, as there is the possibility that Alaska will need to rely more on coal. He expressed the belief that the U.S. Department of Defense should be more involved in discussions about power and the Port of Anchorage because of the strategic importance of Alaska. He asked if it was true that most of the reserve natural gas stored in Anchorage had been used last winter.

MR. MILLER responded that this is correct. He added that the storage facility in Anchorage is not big enough to properly serve Southcentral Alaska.

[11:21:57 AM](#)

REPRESENTATIVE MCKAY asked how many billion cubic feet (BCF) of natural gas is needed to meet demand per year.

MR. MILLER answered that the total number is 70 BCF. In response to a follow-up question, he said the storage facility is currently full.

[11:23:19 AM](#)

REPRESENTATIVE SCHRAGE stated that renewable energy sources are becoming less expensive while the price of natural gas increases, and he asked what the utilities are doing to increase their percentage of generation coming from renewable sources. He said that with the issue of people leaving the state, he is not sure about the importance of building the suggested amount of transmission line, and he asked what areas the utilities believe are the most important in which to build the transmission lines.

[11:25:31 AM](#)

CHAIR RAUSCHER stated that because of time constraints, these questions would have to be answered at a later time.

[11:26:04 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at [11:26] a.m.