ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ENERGY
March 21, 2023
10:16 a.m.

MEMBERS PRESENT

Representative George Rauscher, Chair
Representative Tom McKay
Representative Stanley Wright
Representative Mike Prax
Representative Calvin Schrage
Representative Ashley Carrick

MEMBERS ABSENT

Representative Josiah Patkotak

COMMITTEE CALENDAR

PRESENTATION(S): ALASKA ENERGY AUTHORITY

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

CURTIS THAYER, Executive Director
Alaska Energy Authority
Juneau, Alaska
POSITION STATEMENT: Gave a PowerPoint presentation, titled "AEA Overview Presentation."

ACTION NARRATIVE

10:16:52 AM

CHAIR GEORGE RAUSCHER called the House Special Committee on Energy meeting to order at [10:16 a.m.] Representatives Carrick, Wright, Prax, McKay, and Rauscher were present at the call to order. Representative Schrage arrived as the meeting was in progress.

PRESENTATION(S): ALASKA ENERGY AUTHORITY

10:18:25 AM

CHAIR RAUSCHER announced that the only order of business would be a presentation by the Alaska Energy Authority.

10:18:44 AM

CURTIS THAYER, Executive Director, Alaska Energy Authority (AEA), offered a PowerPoint, titled "AEA Overview Presentation" [hard copy included in the committee packet]. He began on slide 2 and slide 3, stating that the Alaska State Legislature created AEA in 1976, with the mission of reducing energy costs in Alaska. He said AEA administers the power cost equalization (PCE) program, provides grants and loans, works on energy planning, and works with the Railbelt and rural utilities on their energy generation facilities. He moved to slide 4 and showed a map of active projects overseen by AEA, which spans across all different forms of energy generation.

10:20:41 AM

The committee took an at-ease from 10:20 a.m. to 10:22 a.m.

10:22:42 AM

MR. THAYER, in response to a committee question, answered that the map covers over 500 projects, including renewable energy generation projects and projects in PCE communities.

MR. THAYER moved to slide 5 through slide 7 and gave an overview of the Bradley Lake Hydroelectric Project. He stated that Bradley Lake provides approximately 10 percent of the energy used by the Railbelt utilities and is the largest source of renewable energy in the state. Energy generated by Bradley Lake costs 4 cents per kilowatt hour (kWh). He showed a chart with the percentage of power received by each of the Railbelt utilities from Bradley Lake.

MR. THAYER, in response to a committee question, answered that the percentages were determined during the original discussion of the project and reflect the percentages of the bonds paid by each utility. In response to a follow-up question, he expressed the agreement that the percentages of power received could be perceived as a "purchase."

10:26:54 AM

MR. THAYER continued to slide 8 through slide 10 and gave an overview of the upgrades to transmission lines. He said that AEA and the Railbelt utilities have raised $166 million in financing to build transmission lines from Bradley Lake to improve its efficiency and the amount of power it can deliver. He added that there would be no additional costs to ratepayers or the state. He showed a map displaying transmission lines and coverage areas of the Railbelt utilities. He said that the Alaska intertie from Willow to Healy is owned by AEA, and it allows Golden Valley Electric Association to benefit from lower power costs, saving its ratepayers an average of $37 million annually.

10:30:07 AM

MR. THAYER, in response to a committee question, answered that upgrades to transmission lines would not have additional costs to the state or ratepayers because additional payments made for the bonds are eligible to go towards the Bradley Lake project. In response to a follow-up question, he said that the excess bond funds were redirected to the Bradley Lake project.

MR. THAYER, in response to a committee question, answered that additional payments would be necessary when the bonds have already been paid because it was a provision in the original conception of the project.

10:35:44 AM

MR. THAYER continued to slide 11 and slide 12 and reiterated that AEA administers the PCE program. He said the program covers 193 communities, 91 utilities, and 82,000 Alaskans. He said that residential users are eligible to receive PCE credits up to 750 kWhs per month. Public facilities can receive PCE credit up to 70 kWhs per month, multiplied by the number of residents in the community.

MR. THAYER, in response to a committee question, stated that approximately $1 billion is in the PCE endowment fund. He added that the fund is overseen by the Department of Revenue.

MR. THAYER, in response to a committee question concerning how the fund is structured, answered that a court case the previous year resulted in a ruling stating that the fund is not sweepable. He added that this is because of an accounting issue. In response to a follow-up question, he said that

depending on the amount of funds generated by investment, a certain amount of these funds could be allocated to certain other appropriations. He added that such a scenario is uncommon.

10:42:02 AM

MR. THAYER continued with slide 13 and gave an overview of PCE eligibility. He stated that residential and community customers are eligible, while state and federal facilities are not eligible for PCE funds. Additionally, communities with rates lower than the urban average are not eligible. In response to a committee question, he stated that state or federal facilities in rural communities would not benefit from PCE.

10:45:35 AM

The committee took an at-ease from 10:45 a.m. to 10:46 a.m.

10:46:31 AM

MR. THAYER, in response to a committee question, answered that rural utilities benefit from PCE regardless of whether an individual is a direct customer.

MR. THAYER continued to slide 14 and stated that AEA has been involved in system upgrades for rural communities. He said that 197 communities are eligible for the program, and its goal is to improve safety, efficiency, and reliability of energy systems in rural communities. In response to a committee question, he answered that AEA is 10 years behind on deferred maintenance. In response to a follow-up question, he said that AEA tries to prevent replacement from becoming necessary.

MR. THAYER, in response to a committee question, answered that to extend the lifespan of systems, AEA sends out technicians to do as much maintenance as possible. He added that a recent survey was done for all equipment maintained by AEA. In response to a committee question in regard to whether the state capital match is separate from the PCE fund, he answered that because of the excess of funds generated, the PCE fund has only been used twice for systems upgrades.

10:53:19 AM

MR. THAYER moved to slides 15 through 19 and gave a brief overview of bulk fuel upgrades and the power project fund (PFF)

loan program, which provides loans to build renewable energy projects. He said that AEA has done work on 400 bulk fuel upgrades in rural areas of Alaska. The deferred maintenance of these facilities is $800 million. He said that AEA has $27.2 million in outstanding loans and $6.7 million available for new loans. The current interest rate is 4.86 percent. He mentioned the Hiilangaay and South Fork hydroelectric projects as examples of successful projects brought about because of the availability of these loans.

MR. THAYER, in response to a committee question, answered that the South Fork hydroelectric project can provide power to other homes because the owners sell the power generated to Matanuska Electric Association (MEA).

MR. THAYER, in response to a committee question, answered that Hydaburg is a PCE eligible community. In response to a follow-up question, he said that King Cove has not applied for PCE. He added that the state invested money into the community's hydroelectric project to help it become energy self-sufficient, which makes up for the PCE funds that the community is not receiving.

11:00:20 AM

MR. THAYER continued to slide 20 through slide 24 and presented more examples of projects that have benefited from the loan program and the renewable energy fund (REF) grant program. He said that the Willow Solar Farm expansion project provides 1.2 megawatt hours of energy and offsets 2 million pounds of carbon dioxide annually. He said AEA has awarded 271 grants, totaling $300 million for building renewable energy projects, and it has 31 new applicants requesting a total of $33 million. As examples of projects receiving these grants, he mentioned the Banner Peak Wind Farm expansion, the Whitman Lake Hydroelectric Project, and the expansion of the Terror Lake Hydroelectric Project.

MR. THAYER continued to slide 25 through slide 28 and gave an overview of some federal funding made available by the Infrastructure Investment and Jobs Act (IIJA). He said that $60 million would be made available to Alaska over five years to increase grid resiliency. The grants from the federal government would require a 15 percent match from the state and a 33 percent small utility match. He stated that a plan to increase electric vehicle infrastructure was approved, which will unlock $19 million for electric vehicle charging

infrastructure; AEA expects that Alaska may receive $52 million over the course of the next five years. The charging stations will be required to be built no more than 50 miles apart, with the exception of Glitter Gulch.

MR. THAYER, in response to a committee question, answered that "alternative fuel corridor (AFC)" is a term referring to the possibility of building charging stations in these corridors. In response to a follow-up question, he stated that AEA has not received any requests other than from Anchorage to Fairbanks.

MR. THAYER, in response to a committee question, answered that more federal funding could be received after work along the AFCs is completed. In response to a follow-up question, he said that Glitter Gulch is not operational during the winter, and the rest of the plan, including this exception, was approved. In response to a committee question concerning the estimated time of completion, he answered working out logistics is a long process, and in some respects AEA is still waiting on the federal government.

11:10:06 AM

MR. THAYER continued to slide 29 and slide 30 and gave an overview of opportunities offered by IIJA. He stated that energy infrastructure projects in the state would receive a total of $145 million. He showed a chart breaking down the amount into purposes. He added that the only state match required is $1.8 million for grid resiliency.

MR. THAYER moved to slide 31 and gave an overview of staffing needs for AEA. He said that two project managers, a contracting officer, a senior accountant, and a grant coordinator are needed for administration of the projects being built with federal dollars. An additional PCE technician is also needed, along with some PCE salary adjustments.

MR. THAYER, in response to a committee question, answered that AEA has only three vacancies, not including any new positions that may be added. He noted that there are times when AEA is unable to compete with the much higher salaries from the private sector. In response to a follow-up question, he said that AEA does have more ability than most state agencies to increase salaries.

MR. THAYER, in response to a committee question concerning tracking its divisions, answered that AEA is focused on

resiliency, redundancy, and reliability. He said that there are no redundancies on the Railbelt, which could potentially cause price issues in the future. He expressed uncertainty concerning whether there is a way to determine the benefits of investing in energy compared to state investment in other areas. He maintained that energy is a statewide issue that needs investment and work.

11:26:55 AM

MR. THAYER, in response to a committee question, stated that AEA's circuit rider program is a group of technicians who travel around rural Alaska providing training and assistance. In response to a follow-up question, he stated that the program mostly relies on federal funding. In response to another follow-up question, he stated that there is still a backlog for the program, which has resulted from the COVID-19 pandemic. He stated that further discussion with his team would provide a better answer to this.

11:33:30 AM

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 11:33 a.m.