ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ENERGY
February 6, 2024
11:00 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Thomas Baker
Representative Mike Prax

COMMITTEE CALENDAR

OVERVIEW(S): ASSESSING SOUTHCENTRAL ALASKA'S ENERGY RESILIENCE~ ADDRESSING THE HISTORIC DEMAND ON NATURAL GAS~ AND ENSURING SUSTAINABLE SOLUTIONS.

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

JOHN SIMS, President
ENSTAR Natural Gas
Anchorage, Alaska
POSITION STATEMENT: Co-presented the Assessing Southcentral Alaska's Energy Resilience, Addressing the Historic Demand on Natural Gas, and Ensuring Sustainable Solutions Overview.

INNA JOHANSEN, Director
Gas Supply Operations
ENSTAR Natural Gas
Anchorage, Alaska
POSITION STATEMENT: Co-presented the Assessing Southcentral Alaska's Energy Resilience, Addressing the Historic Demand on Natural Gas, and Ensuring Sustainable Solutions Overview.

TONY IZZO, CEO
Matanuska Electric Association

Palmer, Alaska
POSITION STATEMENT: Gave invited testimony on behalf of ENSTAR.

ARTHUR MILLER, CEO
Chugach Electric Association
Anchorage, Alaska
POSITION STATEMENT: Gave invited testimony on behalf of ENSTAR.

ACTION NARRATIVE

11:00:41 AM

CHAIR RAUSCHER called the House Special Committee on Energy meeting to order at 11:00 a.m. Representatives Schrage, Armstrong, McKay, and Rauscher were present at the call to order. Representative Wright arrived as the meeting was in progress.

OVERVIEW: Assessing Southcentral Alaska's Energy Resilience, Addressing the Historic Demand on Natural Gas, and Ensuring Sustainable Solutions

11:02:41 AM

JOHN SIMS, President, ENSTAR Natural Gas, co-presented the Assessing Southcentral Alaska's Energy Resilience, Addressing the Historic Demand on Natural Gas, and Ensuring Sustainable Solutions Overview. He began a PowerPoint presentation [hard copy included in the committee packet], with an introduction to ENSTAR, on slide 2, which listed the following about the company as follows [original punctuation provided]:

- Established in 1959
- 230 employees
- 152,000 customers
- 25 communities served
- 3,560 miles of pipeline

MR. SIMS turned to slide 4, regarding peak day deliverability from 2005-2024, and discussed a graph showing average January daily demand, "design day" deliverability, and actual peak day deliverability. On slides 5-7, he showed images of Cook Inlet Natural Gas Storage Alaska (CINGSA), including surface facilities and well pad. He turned to slide 8 to show a bar chart depicting the performance of five wells. In response to Chair Rauscher, he clarified that the chart shows average performance.

11:09:59 AM

MR. SIMS, moving on to slide 9, discussed a January 14 event where deliverability was reduced from 150 million cubic feet per day (Mmcf/d) to 121.5 Mmcf/d from sand in well number three. In response to Chair Rauscher, he said the company has not been able to secure somebody to get that work done, as of yet. Turning to slide 10, he explaining the temperature history of Anchorage, Alaska, and how this impacted deliverability. He moved on to slide 11, discussing a 30 percent decrease in deliverability at well number one, with total capacity reduced from 150 Mmcf/d 105 Mmcf/d.

11:13:38 AM

MR. SIMS turned to slide 12, which read as follows [original punctuation provided]:

- Members:
  - ENSTAR
  - CINGSA
  - Power Utilities: CEA, MEA, HEA, GVEA
  - Pipelines: Harvest, APC
  - Industrial: IGU, Marathon
  - Producers: Hilcorp, Furie
- Daily formal coordination meetings during Cold Weather Event 1/26/24-2/3/24

MR. SIMS explained this event was to ensure maintained pressures in the transmission line. He showed slide 13, which has a graphic outlining the energy watch customer action plan, with three categories: green as stable, yellow as caution, and red as alert. In response to a question from Chair Rauscher, he confirmed, "We are still in the green." He then turned the presentation over to Inna Johansen.

11:15:57 AM

INNA JOHANSEN, Director, Gas Supply Operations, ENSTAR Natural Gas, as co-presenter, turned attention to the ENSTAR Gas Supply Forecast 2024-2034, on slide 14, and in response to a question from Representative Rauscher, she talked about the reasons for fluctuations.

11:17:36 AM

MR. SIMS, in response to Representative Armstrong, said it is likely that without subsidies from the state, "everyone can expect their bills are going to increase." To Chair Rauscher, he named possible factors for subsidization. He said he thinks Cook Inlet gas is the most viable at this time but said a tough question is how much the state is willing to put forward. How much bills increase is contingent on how much gas is available, he said.

11:19:29 AM

REPRESENTATIVE MCKAY asked whether the red portion of the bar graph displayed on slide 13 would be remedied by contracts currently being negotiated.

MR. SIMS said that there is not a producer who is currently willing to supply what is needed under a contract.

11:20:10 AM

REPRESENTATIVE MCKAY asked whether Hilcorp would contribute its gas to fill in the gap at the top of the graph on slide 13.

MR. SIMS replied that Hilcorp has not yet indicated that it would.

REPRESENTATIVE MCKAY asked whether any company would come to the table to provide the gas needed to make up the difference.

MR. SIMS answered that Hilcorp has no desire to extend existing contracts with ENSTAR. In response to further questions from Representative McKay, he said that there are existing options to fill the gap on the graph; he noted that there is gas under contract for 2025. He relayed that the information on the graph on slide 13 has been available for years and pointed out that Representative McKay was mistakenly referring to an old graph that was displaying the theoretical available gas that was contingent on observations and predictions made at the time.

11:25:21 AM

REPRESENTATIVE ARMSTRONG asked what ENSTAR needs right now to obtain the gas needed to fill the gap on the graph displayed on slide 13.

MR. SIMs answered that what ENSTAR needs depends on the producer.

11:27:00 AM

MS. JOHANSEN resumed the presentation on slide 14, which displayed a bar graph that described the historical supply and demand of ENSTAR's gas and continued to slide 15, which displayed a bar graph that described the deliverability of ENSTAR's gas from 2023-2024.

MS. JOHANSEN, in response to Chair Rauscher, explained that the term "APL-14" refers to a contract with Hilcorp, Inc that will be in place until 2033. She continued to explain the graph displayed on slide 15. In response to Representative Armstrong, she explained that the dark line overlaying the graph displayed on slide 15 rises in 2023, communicating Homer Electric's onboarding of gas contracts.

11:31:24 AM

MS. JOHANSEN resumed the presentation on slide 16, which displayed a graph that described the gas demand in the Cook Inlet Region and the percentage of that demand that has been supplied by each supplier.

11:32:40 AM

REPRESENTATIVE MCKAY asked about the size and dimensions of the CINGSA wells and their associated costs.

MR. SIMS replied that the wells are 5,000 feet deep. In response to further questions, he said that ENSTAR is currently looking at developing wells in fall 2024; the company is working to obtain the equipment required to develop the wells in the Cook Inlet Region.

11:36:09 AM

REPRESENTATIVE SCHRAGE asked whether it is common to have a high level of sanding at CINGSA wells.

MR. SIMS explained that that each well is different and said that challenges present themselves differently between each one.

11:37:15 AM

REPRESENTATIVE SCHRAGE asked whether there is any concern from ENSTAR to reduce its capacity of production to avoid sanding in the future.

MR. SIMS replied that it is a matter of learning from well to well. In response to a follow-up question regarding how close ENSTAR has come to "catastrophic delivery issues," he explained that he has asked multiple companies in the Cook Inlet Region to step up their production in recent emergency cases and said that [January 31, 2024,] was "very close - a lot of sleepless nights." He further explained that ENSTAR allowed its alert level to remain in the green to avoid causing any panic.

11:44:11 AM

CHAIR RAUSCHER asked what it would cost ENSTAR to secure enough gas to ensure operations into the future.

MR. SIMS answered that it would double the cost to ENSTAR to pay for the gas it needs for itself.

REPRESENTATIVE ARMSTRONG asked why Joint Base Elmendorf-Richardson (JBER) went to the yellow alert level but everyone else stayed in the green.

MR. SIMS explained that it was a "voluntary reduction" of the alert level at JBER.

11:46:10 AM

TONY IZZO, CEO, Matanuska Electric Association, gave invited testimony on behalf of ENSTAR. He began his testimony by outlining the gas usage and demand of the Matanuska Electric Association (MEA) and how it interacts with ENSTAR's gas usage. He said that his desire is to keep the electrical grid reliable and offered points to answer to his desire. He emphasized the fragility of Alaska's critical infrastructure, especially in its lacking any specific contingencies or backups. He shared his concern that energy-critical events similar to the one that occurred on January 31, 2024, will become the "new normal" as time goes on and energy reserves in Alaska deplete. He offered his suggestion that companies should build their gas reserves in the summer months to prepare for the winter months.

11:55:43 AM

CHAIR RAUSCHER thanked Mr. Izzo for his testimony and for his point of view as a chief executive officer.

11:56:28 AM

ARTHUR MILLER, CEO, Chugach Electric Association, gave invited testimony on behalf of ENSTAR. He began his testimony by reiterating Mr. Izzo's point regarding the relationship between utilities, gas providers, and their overall energy demand. He emphasized that there should be many other redundancies and options in place so that a utility shouldn't have to consider the costly switch to diesel fuel. He said that it is essential for the state to keep a balance between energy supply and energy demand. He offered his understanding that it is unsustainable for a utility to operate on the hope of a gas supply and said that the energy-critical event that CINGSA experienced on January 31, 2024, highlighted a need for redundancy in the system.

12:03:51 PM

CHAIR RAUSCHER asked how the logistics of gas storage work.

MR. MILLER explained how ENSTAR determines, creates. and manages storage facilities for natural gas.

12:06:41 PM

REPRESENTATIVE SCHRAGE asked whether the color-based alert system would be revised considering that ENSTAR is reluctant to use it as it currently is.

MR. SIMS replied that it was a "learning experience."

12:08:32 PM

CHAIR RAUSCHER thanked the invited testifiers for their time.

12:09:07 PM

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 12:09 p.m.