

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ENERGY

March 19, 2024

10:16 a.m.

MEMBERS PRESENT

Representative George Rauscher, Chair
Representative Tom McKay
Representative Thomas Baker
Representative Stanley Wright
Representative Mike Prax
Representative Calvin Schrage
Representative Jennie Armstrong

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 368

"An Act relating to clean energy standards and a clean energy transferable tax credit; and providing for an effective date."

- MOVED CSHB 368 (ENE) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 368

SHORT TITLE: ELECTRICAL ENERGY & ENERGY PORTFOLIO STDS

SPONSOR(s): ENERGY

02/20/24	(H)	READ THE FIRST TIME - REFERRALS
02/20/24	(H)	ENE, FIN
02/22/24	(H)	ENE AT 11:00 AM BARNES 124
02/22/24	(H)	-- MEETING CANCELED --
02/27/24	(H)	ENE AT 11:00 AM BARNES 124
02/27/24	(H)	Heard & Held
02/27/24	(H)	MINUTE(ENE)
02/29/24	(H)	ENE AT 10:15 AM BARNES 124
02/29/24	(H)	Heard & Held
02/29/24	(H)	MINUTE(ENE)
03/05/24	(H)	ENE AT 10:15 AM BARNES 124
03/05/24	(H)	Scheduled but Not Heard
03/07/24	(H)	ENE AT 10:15 AM BARNES 124
03/07/24	(H)	Heard & Held

03/07/24 (H) MINUTE (ENE)
03/14/24 (H) ENE AT 10:15 AM DAVIS 106
03/14/24 (H) Heard & Held
03/14/24 (H) MINUTE (ENE)
03/19/24 (H) ENE AT 10:15 AM BARNES 124

WITNESS REGISTER

CURTIS THAYER, Executive Director
Alaska Energy Authority
Anchorage, Alaska

POSITION STATEMENT: Testified and answered questions during the hearing on HB 368.

JULIE ESTEY, Chief Strategy Officer
Matanuska Electric Association
Palmer, Alaska

POSITION STATEMENT: Answered questions regarding proposed amendments to HB 368.

CRAIG VALDEZ, Staff
Representative George Rauscher
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions about Amendment 10 to HB 368 on behalf of the House Special Committee on Energy, sponsor, on which Representative Rauscher serves as chair.

KEN HUCKABA, representing self
Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to HB 368.

KASSIE ANDREWS, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 368.

KEN GRIFFIN, representing self
Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to HB 368.

TODD LINDLEY, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 368.

ACTION NARRATIVE

[10:16:46 AM](#)

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

HB 368-ELECTRICAL ENERGY & ENERGY PORTFOLIO STDS

[10:18:06 AM](#)

CHAIR RAUSCHER announced that the only order of business would be HOUSE BILL NO. 368, "An Act relating to clean energy standards and a clean energy transferable tax credit; and providing for an effective date."

[10:19:03 AM](#)

CURTIS THAYER, Executive Director, Alaska Energy Authority (AEA), advised that regardless of what technology is used or whether it is achieved through a clean energy standard (CES) or a renewable portfolio standard (RPS), the key is that transmission lines are needed to move that power. Alaska, he continued, lacks the transmission lines on the Railbelt to move that power to where the people are. If Alaska were in the Lower 48, he pointed out, it would be required to have two or three different transmission lines servicing the Railbelt, not just the one line that Alaska has had for over 40 years. The Grid Resilience and Innovation Partnership (GRIP) would give Alaska a redundant line off the Cook Inlet into Southcentral, Alaska, and a future phase of that would be to connect a High Voltage Direct Current (HVDC) line going up to Healy, Alaska, to get a redundancy line out of Fairbanks.

[10:20:57 AM](#)

CHAIR RAUSCHER noted that HB 368 doesn't focus much on transmission lines. He requested Mr. Thayer to explain the details and differences between the existing and proposed transmission lines.

MR. THAYER replied that the \$206.5 million in federal funding from GRIP requires a match of \$206.5 million [from the State of Alaska]. The project - the \$413 million HVDC line - is anticipated to be about 65 miles long and would run underneath the Cook Inlet and tie in near Bernice Lake north of the Homer system. It would then connect through converters to Chugach

Electric Association's (CEA's) Beluga substation, a gas fired power plant located across the inlet. Since Beluga has lines that take power into Anchorage, it would give a redundant (second) loop off the Kenai [Peninsula]. This summer, the Alaska Energy Authority (AEA) will look at the routing, engineering, and cost of this eight-year project. Since there is no off-the-shelf HVDC line that can be purchased, a consideration is to look at the different sizes which cost varying amounts.

10:23:40 AM

CHAIR RAUSCHER asked whether all the land that is needed to develop the new HVDC line is already acquired so building the line could commence immediately [upon receipt of the money].

MR. THAYER responded that most of the line would be under the Cook Inlet and would connect to Bernice Lake, an existing substation with Homer Electric Association (HEA). Since there is a trench in the middle of Cook Inlet and the cable will be buried about six feet under, environmental studies will determine the route and most cost-effective way to do the line. The GRIP funding only allows eight years to complete the project, so [AEA] wants to do the environmental studies this summer to ensure that once a grant agreement is in place a field season won't be missed.

CHAIR RAUSCHER asked whether the HVDC line would be run through a liquid filled casing.

MR. THAYER answered that the cabling is encased and is six to ten inches round, and right now, AEA doesn't anticipate putting it into a different encasement across the inlet. He said he will provide to the committee a cross-section image of the cable and pictures of the jet drive and how they dig in the mud, blast the mud, and lay the cable.

CHAIR RAUSHER thanked the committee for indulging his questions about transmission lines because they are not what HB 368 is about, rather HB 368 takes place after that cable is built.

10:26:15 AM

REPRESENTATIVE SCHRAGE continued with the topic of transmission. He said the concern is built into HB 368 that the transmission isn't there to transmit the electricity throughout the state to where it is needed. He asked where that constraint is and if

this initial GRIP application addresses that transmission constraint. He further asked whether it is a constraint today or becomes a constraint as things are built out.

MR. THAYER replied that the constraint is today and was 32 years ago when Bradley Lake, a 120-megawatt power plant, was built. The 50-plus-year-old line servicing Bradley Lake was designed to serve Homer with power, not take power northward from Homer, and in essence is a 75-megawatt line. A \$90 million upgrade is currently being done by AEA on the SSQ Line [Sterling Substation to Quartz Creek], dual lines purchased by AEA four years ago after the Swan Lake fire. The fire took that line out of service for four months, costing ratepayers about \$12 million more in burning natural gas. There is a congestion at Bradley Lake; Kenai couldn't take all the power produced at Bradley Lake, so water had to be spilled. This last winter an existing line went down for five days between Whittier and Girdwood due to a snowstorm. These examples show the vulnerability of not having a secondary line out of the lower peninsula into Southcentral Alaska and on to Fairbanks, which receives 17 percent of the power from Bradley Lake; the HVDC line would provide redundancy.

REPRESENTATIVE SCHRAGE inquired about when it is expected that the transmission constraint will be alleviated and the provisions in HB 368 will become enforceable.

MR. THAYER responded that the HVDC is approximately eight years and upgrades are currently being done on the SSQ Line on the Kenai Peninsula. Analysis is being done on ways to shorten that time window, but transmission upgrades take five to eight years to be fully completed. Supply chain logistics are an issue in that items have been on order for 18-24 months, something that was not the case before COVID-19.

[10:31:39 AM](#)

REPRESENTATIVE SCHRAGE asked whether there is a high degree of confidence that these transmission upgrades will be executed. He further asked about the necessity of the provision in HB 368 that provides an out if the transmission isn't completed and the bill becomes essentially unenforceable.

MR. THAYER answered that many independent power producers (IPPs) are coming into the market, so these upgrades are needed to ensure that power can move. The AEA and utilities are working together, which is one reason why [AEA] secured \$166 million

through bonding to start these upgrades. Part of the package deal is battery storage in Homer and at the Matanuska Electric Association/Chugach Electric Association facility and all the way to Fairbanks. Because things are progressing, upgrades are being done currently, and there is now the \$200 million in GRIP funding, [AEA and the utilities] are confident they can do both simultaneously.

[10:33:33 AM](#)

REPRESENTATIVE PRAX asked whether the financing plan is true bond for all these projects, or whether state grants are being looked for.

MR. THAYER replied that the upgrades to the SSQ Line have already been bonded. The cost of all three battery energy storage systems (BESSs) is about \$180 million, of which \$57 million is already in hand through that bond. In that bonding, \$20 million is paid for by the ratepayer and has been set aside to do initial work, so a match of \$186 million is needed. A match of \$206.5 is needed for the \$206.5 million in GRIP funding. With the governor's budget of \$12.7 million, about \$33 million of the \$206 million needed for the match is already had, and so the state is being looked at for securing part or all of the match.

REPRESENTATIVE PRAX stated that things can and do go wrong with financing and he isn't qualified to look at that, so he is more comfortable with paying the extra to bond this. For the legislature to spend money on this, he said he would like to see an arithmetic evaluation of funding and project viability.

[10:37:52 AM](#)

REPRESENTATIVE SCHRAGE cited a study by the [National Renewable Energy Laboratory (NREL)] which indicated that the lowest cost option for utilities would be to go towards about 70 percent renewable energy by 2040. He expressed his concern that rather than reaching the bill's target threshold of 60 percent by 2051, the utilities might reach 70 percent by 2040, which would be a financial impact to the state that is much higher and quicker than expected. He asked whether AEA has a projection as to how quickly utilities might begin deploying renewables.

MR. THAYER responded that he doesn't have an idea what plans the individual utilities are working on for moving forward. New in Alaska right now, he advised, is work with IPPs rather than

utilities for providing generation, whether that is new wind farms or solar farms. The NREL study notes that additional transmission lines are needed, and [the study's] assumption is that there is transmission in place to move that power in different directions. He said AEA, through the Rural Energy Fund (REF), has funded many of the wind and solar studies that are being done.

[10:42:04 AM](#)

REPRESENTATIVE SCHRAGE asked whether Mr. Thayer agrees with the NREL study that the lowest cost option is to go towards 70 percent renewables by 2040.

MR. THAYER answered that there are points in the NREL study he agrees with, points he disagrees with, and points on which the jury is still out. At the time the study was presented, many of the costs of doing renewables in Alaska were unknown. Also unknown is how renewables operate in very cold weather. The NREL study is a step forward in looking at options for the Railbelt and Alaska in general and looking at what will be a good mix for Alaska. Whether 70 percent is the right mix he doesn't know, but firm power is definitely needed. When it is cold and there is a high pressure, any wind turbines in that region do not work. A grid would allow power to be moved around.

[10:45:26 AM](#)

REPRESENTATIVE SCHRAGE moved to adopt Amendment 1 to HB 368, labeled 33-LS1170\H.1, Walsh, 3/4/24, which read:

Page 3, line 9:

Delete "35 percent by December 31, 2036"

Insert "30 percent by December 31, 2030"

Page 3, line 10:

Delete "60 percent by December 31, 2051"

Insert "55 percent by December 31, 2035"

REPRESENTATIVE WRIGHT objected.

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

[10:46:18 AM](#)

REPRESENTATIVE SCHRAGE explained that Amendment 1 would move the target dates for renewables from 35 percent by 12/31/2036 as proposed in HB 368, to 30 percent by 12/31/2030; and from 60 percent by 12/31/2051 to 55 percent by 12/31/2035. Significant progress is already being made towards renewables and there is broad acknowledgement from the energy community that the state is going to start rapidly moving towards renewables, especially given the natural gas shortages in Southcentral. So, given the state will potentially be providing significant tax credit incentives to these utilities, the state should be more ambitious. The bill has no penalties for not meeting these thresholds, and perhaps this should be called renewable portfolio targets or aspirations rather than renewable portfolio standard. [The legislature] should therefore be truly aspirational and move those dates to ones that acknowledge the level of immediacy around this issue.

CHAIR RAUSCHER invited Ms. Julie Estey to provide her opinion on Amendment 1.

[10:48:50 AM](#)

JULIE ESTEY, Chief Strategy Officer, Matanuska Electric Association (MEA), responded that MEA is looking beyond its gas contract ending and is currently conversing with developers on wind and solar. Transmission is absolutely one of the constraints on some of those larger projects, as is how to integrate variable power into MEA's system with regulation and having firm power, power that MEA can count on no matter what and when. She stated that 30 percent by 2030 is within grasp as an aspirational goal, but she doesn't see a path within the timeframe of 55 percent by 2035. While aspirational is great, setting realistic goals ensures that they are motivating to the utilities, to utility members, and to power producers.

[10:51:38 AM](#)

REPRESENTATIVE ARMSTRONG asked whether 2051 is the earliest realistic year for achieving the proposed renewable energy goals, or whether 2045 would be more amendable [than 2035].

MS. ESTEY replied that she doesn't have an answer because there are so many unknowns when looking ahead, one being transmission and how much power can be moved. Utilities are currently conducting studies to determine what is possible right now, such as regulating variable power on the existing system, and when the upgrades are needed, she said, but there are no answers yet.

She emphasized the need for a realistic goal and reiterated that she doesn't see a path to 2035.

[10:53:30 AM](#)

CHAIR RAUSCHER noted that most of HB 368 takes place after the transmission line is built. He asked about a timeline for the new transmission lines to be completed and fully operational.

MR. THAYER responded that the current upgrading of the existing transmission line is occurring in phases and is at least a six-year project. He said the HVDC line off the Kenai Peninsula is currently projected to take six to eight years to complete.

CHAIR RAUSCHER calculated that six to eight years from 2024 is 2030 to 2032, and so 30 percent by 2030 is before completion of the transmission line. He said he must therefore oppose the math of Amendment 1.

REPRESENTATIVE PRAX pointed out that the impending shortage of Cook Inlet natural gas isn't contemplated in HB 368. He opined that calling it a crisis isn't the right term or way to approach this. He said he is opposed to Amendment 1 because it is better to figure this out in an orderly manner.

REPRESENTATIVE WRIGHT maintained his objection to Amendment 1.

[10:56:11 AM](#)

REPRESENTATIVE SCHRAGE wrapped up his comments on Amendment 1, noting that Ms. Estey agreed that 30 percent by 2030 is achievable even with the current transmission. He emphasized that the targets are unenforceable and therefore they are simply aspirational goals. He said he is open to a friendly amendment to the target date for 60 percent.

[10:57:42 AM](#)

REPRESENTATIVE ARMSTRONG moved to adopt Conceptual Amendment 1 to Amendment 1, on line 7 of Amendment 1, to change "2035" to "2045".

REPRESENTATIVE SCHRAGE said he has no objection to Conceptual Amendment 1 to Amendment 1.

REPRESENTATIVE PRAX objected to Conceptual Amendment 1 to Amendment 1.

The committee took a brief at-ease.

[10:58:51 AM](#)

A roll call vote was taken. Representatives Armstrong and Schrage voted in favor of Conceptual Amendment 1 to Amendment 1. Representatives Baker, Wright, Prax, and Rauscher voted against it. Therefore, Conceptual Amendment 1 to Amendment 1 failed by a vote of 2-4.

REPRESENTATIVE WRIGHT maintained his objection to Amendment 1.

[11:00:02 AM](#)

A roll call vote was taken. Representatives Schrage and Armstrong voted in favor of Amendment 1 to HB 368. Representatives Baker, Wright, Prax, and Rauscher voted against it. Therefore, Amendment 1 to HB 368 failed to be adopted by a vote of 2-4.

CHAIR RAUSCHER deferred consideration of Amendment 2 due to the absence of Representative McKay.

[11:00:48 AM](#)

REPRESENTATIVE SCHRAGE moved to adopt Amendment 3 to HB 368, labeled 33-LS1170\H.3, Walsh, 3/4/24, which read:

Page 4, lines 12 - 20:
Delete all material.

Reletter the following subsection accordingly.

Page 8, line 12:
Delete "(i)"
Insert "(h)"

REPRESENTATIVE WRIGHT objected.

REPRESENTATIVE SCHRAGE explained Amendment 3 would remove the opt-out provisions of the clean energy standard in Section 5(h) of HB 368. He said he is introducing this amendment because the bill doesn't place any requirements on the utilities and so the opt-out provisions are unnecessary, plus there are opt-out provisions in other parts of the bill.

CHAIR RAUSCHER stated he supports Amendment 3.

The committee took a brief at-ease.

[11:02:38 AM](#)

REPRESENTATIVE WRIGHT removed his objection. There being no further objection, Amendment 3 to HB 368 was adopted.

[11:02:51 AM](#)

REPRESENTATIVE SCHRAGE moved to adopt Amendment 4 to HB 368, labeled 33-LS1170\H.5, Walsh, 3/4/24, which read:

Page 5, line 21, following "entity":
Insert "or independent power producer"

Page 5, line 23, following "entity":
Insert "or independent power producer"

Page 5, line 25, following "entity":
Insert "or independent power producer"

Page 5, line 29, following "entity":
Insert "or independent power producer"

Page 8, following line 16:
Insert a new paragraph to read:
"(5) "independent power producer" means a person, other than a load-serving entity, that owns or operates a facility for the generation of electricity for use primarily by the public;"

Renumber the following paragraphs accordingly.

Page 10, lines 1 - 2:
Delete "to a load-serving entity, as defined in AS 42.05.790,"

REPRESENTATIVE WRIGHT objected for purposes of discussion.

REPRESENTATIVE SCHRAGE explained Amendment 4 would allow for independent power producers, which are playing an increased role in producing energy in Alaska, to also take advantage of the clean energy tax credit proposed by HB 368. As currently structured, he continued, the bill would only provide the tax credit to utilities that build out renewable energy, and he

believes the tax credit should be offered to any entity that is producing or building clean energy.

CHAIR RAUSCHER stated he finds Amendment 4 to be friendly.

[11:03:52 AM](#)

REPRESENTATIVE WRIGHT removed his objection. There being no further objection, Amendment 4 to HB 368 was adopted.

[11:04:15 AM](#)

REPRESENTATIVE SCHRAGE said he will not offer Amendment 5, labeled 33-LS1170\H.6, Walsh, 3/5/24.

REPRESENTATIVE SCHRAGE moved to adopt Amendment 6 to HB 368, labeled 33-LS1170\H.16, Walsh, 3/4/24, which read:

Page 6, following line 1:

Insert new subsections to read:

"(c) A load-serving entity that is subject to the clean energy standard is eligible to apply for the clean energy transferable tax credit under this section only if the entity is in compliance with the clean energy standard. For the purpose of this subsection, compliance with an exemption under AS 42.05.920 constitutes compliance with the clean energy standard.

(d) A load-serving entity that fails to comply with the clean energy standard may not use a subsidiary corporation, affiliated corporation, partnership, association, or other person for the purpose of applying for or remaining eligible for the clean energy transferable tax credit under this section. The commission may adopt regulations to implement this subsection."

REPRESENTATIVE WRIGHT objected.

The committee took a brief at-ease.

[11:04:36 AM](#)

REPRESENTATIVE SCHRAGE explained Amendment 6 would provide some enforceability around the standards outlined in HB 368. To take advantage of the clean energy standard tax credit, an entity would have to be in compliance with the clean energy standard,

thereby giving a level of accountability to the bill as opposed to just being a tax credit for any new or renewables. It provides some accountability to that tax credit in saying that an entity must actually be working to meet the standards outlined in the bill. Utilities should be required to stay on track if they are going to take advantage of that tax credit.

REPRESENTATIVE PRAX stated he doesn't think Amendment 6 would add any value because if an entity is applying for a tax credit the entity must be trying; therefore, he isn't in favor of the amendment.

CHAIR RAUSCHER stated he opposes Amendment 6 for some of the same reasons.

REPRESENTATIVE WRIGHT maintained his objection to Amendment 6.

[11:09:14 AM](#)

A roll call vote was taken. Representatives Schrage and Armstrong voted in favor of Amendment 6 to HB 368. Representatives Wright, Prax, McKay, Baker, and Rauscher voted against it. Therefore, Amendment 6 to HB 368 failed to be adopted by a vote of 2-5.

CHAIR RAUSCHER stated he will not offer Amendment 7 to HB 368, labeled 33-LS1170\H.9, Walsh, 3/13/24.

[11:10:06 AM](#)

CHAIR RAUSCHER moved to adopt Amendment 8 to HB 368, labeled 33-LS1170\H.10, Walsh, 3/12/24, which read:

Page 5, line 22:
Delete "0.2 cents"
Insert "\$.02"

REPRESENTATIVE MCKAY objected for purposes of discussion.

CHAIR RAUSCHER explained Amendment 8 would increase the proposed tax credit from 0.2 cents per kilowatt hour (kWh) [\$2 per megawatt hour (MWh)] to 2.0 cents per kilowatt hour (kWh) (\$20 per MWh). He maintained that 0.2 cents is too low to make any meaningful change and that raising it to 2.0 cents would help offset the real cost of building the generation that will alleviate the huge spike in energy cost that is coming soon with natural gas imports.

REPRESENTATIVE SCHRAGE asked whether the cost of Amendment 8 over the next 20 years would be \$655 million cumulatively.

CHAIR RAUSCHER replied yes.

REPRESENTATIVE SCHRAGE stated that \$655 million is a big price tag for something that the utilities are already planning to do; as well, there aren't many protections or accountability around the bill. While he would like more renewables deployed, he said he is grappling with how the state would pay for this given the governor's 10-year fiscal plan shows a \$10 billion deficit.

[11:12:45 AM](#)

CHAIR RAUSCHER reiterated his belief that [a tax credit of] 0.2 cents isn't going to create any movement, and Amendment 8 would make the tax credit more enticing. He said the state doesn't write a check since it is credit.

REPRESENTATIVE PRAX concurred the state doesn't write a check, but that, semantics aside, a tax credit is effectively a dedicated tax in that the state is not able to spend other revenue. He agreed with Representative Schrage that this is an expensive subsidy and not a good idea.

CHAIR RAUSCHER asked whether Representative Prax has a different number in mind.

REPRESENTATIVE PRAX replied that he doesn't have a different number in mind. He said he agrees that 0.2 cents wouldn't provide much incentive, and 2 cents would be more of an incentive, but he disagrees with the concept of subsidizing energy because it isn't a good way to distribute resources.

REPRESENTATIVE MCKAY removed his objection to Amendment 8.

REPRESENTATIVE PRAX objected to Amendment 8.

[11:15:35 AM](#)

A roll call vote was taken. Representatives Wright, Baker, and Rauscher voted in favor of Amendment 8 to HB 368. Representatives Prax, Armstrong, McKay, and Schrage voted against it. Therefore, Amendment 8 to HB 368 failed to be adopted by a vote of 3-4.

[11:15:55 AM](#)

CHAIR RAUSCHER moved to adopt Amendment 9 to HB 368, labeled 33-LS1170\H.11, Walsh, 3/14/24, which read:

Page 6, following line 1:

Insert a new subsection to read:

"(c) If the owner of a facility places a new generating unit or additional generating capacity into service that is used to generate clean energy at the facility after the effective date of this section, the owner may apply for the clean energy transferable tax credit for 10 years from the date the new unit or additional capacity is placed into service, but only to the extent of the increased amount of clean energy produced at the facility because of the new unit or additional capacity."

REPRESENTATIVE SCHRAGE objected for purposes of discussion.

CHAIR RAUSCHER explained that Amendment 9 would create clarity and set in statute that energy expansion projects would qualify for the tax credits proposed under HB 368.

REPRESENTATIVE PRAX objected to Amendment 9. He allowed it's a good business idea for grocery stores to give points to customers for gasoline in return for purchasing lettuce or for airlines to give frequent flyer miles that are paid for through ticket prices. However, he opined, it's not a good idea for legislators to fall for that ruse.

REPRESENTATIVE SCHRAGE removed his objection to Amendment 9.

REPRESENTATIVE PRAX maintained his objection to Amendment 9.

[11:18:28 AM](#)

A roll call vote was taken. Representatives Armstrong, McKay, Baker, Schrage, Wright, and Rauscher voted in favor of Amendment 9 to HB 368. Representative Prax voted against it. Therefore, Amendment 9 to HB 368 was adopted by a vote of 6-1.

[11:18:40 AM](#)

REPRESENTATIVE WRIGHT moved to adopt Amendment 10 to HB 368, labeled 33-LS1170\H.12, Walsh, 3/13/24, which read:

Page 6, following line 1:

Insert a new subsection to read:

"(c) A school district may apply for the clean energy transferable tax credit under AS 43.98.080 for clean energy produced from a distributed energy system that is located on property owned by the school district and that meets the qualifications in (b)(2) - (4) of this section, regardless of whether the energy is sold to an unrelated person. A school district is entitled to the same amount of credit as a load-serving entity under this section for the number of kilowatt-hours of clean energy produced by the school district's distributed energy system. In this subsection, "school district" means a city or borough school district or regional educational attendance area."

Page 10, lines 1 - 2:

Delete "to a load-serving entity, as defined in AS 42.05.790,"

REPRESENTATIVE SCHRAGE objected.

REPRESENTATIVE WRIGHT explained Amendment 10 would add schools as qualified producers and receivers of the tax credits proposed by HB 368. He said it would also allow schools to build and generate their own energy, which could potentially reduce costs.

REPRESENTATIVE SCHRAGE stated he is supportive of Amendment 10 but is curious whether school districts have asked for this and have the working capital to take advantage of this.

REPRESENTATIVE BAKER responded that the schools in his rural district would be able to work with the local tribes that have funding coming for renewable projects. A school could write some kind of match or training program that would help incentivize folks to learn how to get into the independent power producer (IPP) industry. He said he appreciates the amendment.

[11:21:06 AM](#)

CHAIR RAUSCHER asked how many years it took to get to the figure of \$650 million cited by Representative Schrage

REPRESENTATIVE SCHRAGE replied [it would take to the year] 2051.

CHAIR RAUSCHER inquired about the base student allocation (BSA) that the House of Representatives voted to not increase on [3/18/24].

REPRESENTATIVE SCHRAGE answered that any policy set by the legislature has both short-term and long-term ramifications, and the legislature has a duty to look at both. Long term, he is looking at the borderline insolvency of the State of Alaska and the lack of a fiscal plan to address the billions in deficits projected over the next decade and beyond. Short term, as amendments to HB 368 are considered, he is looking at the capacity for entities in Alaska to take advantage of this.

REPRESENTATIVE PRAX asked whether Amendment 10 could be seen as unnecessary. He surmised that another entity could get the tax credit and then sell the power to the school. He requested an explanation of why an entity couldn't do that without this proposed credit for the schools. To clarify his question, he cited Representative Baker's example of tribes setting up a power generating system for the schools but proffered that tribes could set up a clean power generating system for anybody and be eligible for the tax credit anyway. He said he therefore questions whether this proposal would make it easier.

REPRESENTATIVE BAKER replied that under Amendment 10 as written, school districts may apply, and tribes may use their funds to become an IPP and sell energy; it's not a rule that they must. The example he presented was about potentially using the funds to go forward in some kind of joint venture where different pots of money available in the community are used, given that each school in rural Alaska is the heart and soul of the community.

REPRESENTATIVE ARMSTRONG asked whether specifically calling out schools as proposed in Amendment 10 is necessary or whether schools would already be covered elsewhere in the bill.

[11:26:42 AM](#)

CRAIG VALDEZ, Staff, Representative George Rauscher, Alaska State Legislature, on behalf of Representative Rauscher, chair of the House Special Committee on Energy, sponsor of HB 368, answered that Amendment 10 is needed according to the IPPs. He explained that while an IPP would probably cover, that might not be the case in certain circumstances in the future. For example, under the federal government right now, schools can apply for different grant programs not under IPPs but under

their own as a separate school district, so Amendment 10 would cover them in situations where an IPP would not.

[11:27:52 AM](#)

REPRESENTATIVE SCHRAGE expressed his concern that if schools deploy renewable or clean energy projects, personnel will be required to work on them and thus the focus on education would be taken away. He posited that it would be better for these projects to be deployed by an IPP with the technical expertise and ability to carry out the project.

MR. VALDEZ answered that under Amendment 10 this would be an option that school districts could take to ease the cost of energy, not an option that they must take.

REPRESENTATIVE SCHRAGE stated he is unsure about giving school districts an option that incentivizes them to pursue something other than focusing on the classroom.

[11:30:57 AM](#)

REPRESENTATIVE WRIGHT commented that Amendment 10 would provide another option for schools to ease the pressures of energy costs and would not be required to be utilized.

REPRESENTATIVE BAKER pointed out that there already is an entire department in his home district dedicated to the maintenance and operation of the school facilities and researching fuel cost is part of that. Having this option would make it so the schools in his district don't have to rely on high priced diesel.

[11:32:44 AM](#)

REPRESENTATIVE SCHRAGE allowed that his school district also already has a maintenance department, but it lacks the technical expertise to construct renewable projects. He asked why IPPs aren't a better option as compared to in-district departments.

CHAIR RAUSCHER responded that not all businesses fill out a Schedule C because it is very complicated, and they would just as soon take the loss. He said he supports Amendment 10 because an option is better than no option.

REPRESENTATIVE SCHRAGE maintained his objection to Amendment 10.

REPRESENTATIVE BAKER replied that his school district, the Northwest Arctic Borough School District, works with the Northwest Arctic Borough which has economic development and other departments with people whose sole job is to provide energy and to maintain utilities to schools and the people throughout the communities of the North Slope Borough.

[11:35:31 AM](#)

A roll call vote was taken. Representatives Armstrong, McKay, Baker, Wright, Prax, and Rauscher voted in favor of Amendment 10 to HB 368. Representative Schrage voted against it. Therefore, Amendment 10 to HB 368 was adopted by a vote of 6-1.

[11:36:18 AM](#)

REPRESENTATIVE BAKER moved to adopt Amendment 11 to HB 368, labeled 33-LS1170\H.13, Walsh, 3/13/24, which read:

Page 6, following line 1:

Insert a new subsection to read:

"(c) The owner of a facility that qualifies for a clean energy transferable tax credit under (b) of this section and produces clean energy for an electric utility that receives power cost equalization under AS 42.45.100 - 42.45.150 is eligible for an increased clean energy transferable tax credit in the amount of an additional one cent for each kilowatt-hour of clean energy that meets the requirements in (a) of this section and is produced for the electric utility. The owner of the facility may be the electric utility. In this subsection, "electric utility" has the meaning given in AS 42.45.150."

REPRESENTATIVE MCKAY objected for purposes of discussion.

REPRESENTATIVE BAKER explained that Amendment 11 would allocate a 1.0 cent per kWh bonus to communities already receiving power cost equalization (PCE) funds, using PCE as a determining factor for who is receiving versus who is not. Alaska's rural regions face some of the highest energy costs in the state and U.S., and this bonus would move the needle in the adoption of cheap versus sustainable energy sources that could replace exceptionally expensive diesel as well as provide cash infusions for those who are looking to invest in small rural micro-grids.

[11:37:12 AM](#)

REPRESENTATIVE MCKAY removed his objection. There being no further objection, Amendment 11 to HB 368 was adopted.

CHAIR RAUSCHER stated he will not be offering Amendment 12, labeled 33-LS1170\H.14, Walsh, 3/13/24, to HB 368.

[11:37:25 AM](#)

CHAIR RAUSCHER moved to adopt Amendment 13 to HB 368, labeled 33-LS1170\H.15, Walsh, 3/13/24, which read:

Page 6, line 31, through page 7, line 2:
Delete all material.

REPRESENTATIVE SCHRAGE objected for discussion purposes.

REPRESENTATIVE MCKAY objected to Amendment 13.

CHAIR RAUSCHER explained Amendment 13 would remove the clause that utilities would not receive the credits if they were under a waiver.

REPRESENTATIVE SCHRAGE removed his objection to Amendment 13.

REPRESENTATIVE MCKAY removed his objection. There being no further objection, Amendment 13 to HB 368 was adopted.

REPRESENTATIVE MCKAY [stated he will not offer] Amendment 2, labeled 33-LS1170\H.8, Walsh, 3/12/24.

[11:39:37 AM](#)

CHAIR RAUSCHER opened public testimony on HB 368, as amended.

[11:40:09 AM](#)

KEN HUCKABA, representing self, testified in opposition to HB 368. He offered his understanding that the bill is not something the public wants. He maintained that this was originated 14 years ago through a "left-wing environmentalist organization." He further maintained that origination for the transmission line was not for redundancy or efficiency but rather for enabling a renewable portfolio standard. He argued that if renewables truly are cheaper, then the IPPs, which are for-profit, shouldn't need credits and for-profits shouldn't be part of the mix with non-profit utilities. He further argued

that the people developing renewable energy should pay the costs of development, not taxpayers through a tax credit system. He said the electric cooperatives, which are overseen by the Regulatory Commission of Alaska (RCA), are doing a good job. Alaska has coal, oil, and gas for doing these things and should not be adopting a globalist expansion of carbon control, he opined.

[11:43:55 AM](#)

KASSIE ANDREWS, representing self, testified in opposition to HB 368. She said she opposes the concept in the bill but would be okay with it if it were completely voluntary. She argued that the idea of the state having to mandate this energy makeup means there is an inherent risk or problem, and the end user is not willing to pay for unreliable and unaffordable sources of energy. The "trifecta to the demise of our grid," she asserted, is HB 368, the Electric Reliability Organization, and the mandate to allow for-profit independent power producers on Alaska's grid. These central planning mechanisms remove the utility boards from having a say in representing the ratepayers and will erode the reliability and affordability of Alaska's energy.

[11:46:27 AM](#)

KEN GRIFFIN, representing self, testified in opposition to HB 368. He stated he doesn't get the ideas behind these things because there are no economics. [The state] cannot help a community by giving it money or subsidies, rather they must be helped to stand on their own feet and afford things. Making energy cheaper for a period of time is just an offset somewhere else. Legislators' minds have already been made up because these bills are all crafted around nothing but tax credits and subsidies, but a country cannot be run on tax credits.

[11:48:58 AM](#)

TODD LINDLEY, representing self, testified in opposition to HB 368. He said the bill establishes construction timelines, potentially violates the privacy of the ratepayers by collecting personal data, and it relies solely on tax credits to provide cost effective energy that's not detrimental to the ratepayer. In the context of clean energy, cost effective energy and not detrimental to the ratepayer are oxymorons.

[11:50:15 AM](#)

CHAIR RAUSCHER, after ascertaining that no one else wished to testify, closed public testimony on HB 368.

[11:50:45 AM](#)

REPRESENTATIVE SCHRAGE stated that he supports working toward incentivizing and deploying renewables in Alaska but still has concerns with HB 368. He said he is unsure who the bill supports and who is asking for it, plus the government subsidized tax credit could significantly impact the state's finances over the next 20 years without any accountability to meet the standards. He said the bill would subsidize status quo actions in many cases and doesn't do enough to move the ball on this issue. More work on the bill and on amendments is needed, he added.

[11:53:35 AM](#)

REPRESENTATIVE PRAX stated he is ambivalent and doesn't agree with HB 368. He said he is opposed to moving out the bill as well as opposed to spending any more time on the bill.

[11:54:20 AM](#)

REPRESENTATIVE MCKAY explained he [did not offer] Amendment 2 because it would have made most everything in the bill optional. In principle he agrees with the testimony heard today, he said, but respects the governor and the committee chair in what they are trying to accomplish. He stated he doesn't like subsidies and will vote against moving out the bill.

[11:55:40 AM](#)

REPRESENTATIVE MCKAY moved to report HB 368, as amended, out of committee with individual recommendations and the accompanying fiscal notes and to authorize Legislative Legal Services to make any needed technical and conforming changes to the bill.

REPRESENTATIVE SCHRAGE objected.

[11:57:26 AM](#)

A roll call vote was taken. Representatives Baker, Wright, Armstrong, and Rauscher voted in favor of reporting HB 368, as amended, out of committee with individual recommendations and the accompanying fiscal notes. Representatives Schrage, Prax,

and McKay voted against it. Therefore CSHB 368(ENE) was reported out of the House Special Committee on Energy by a vote of 4-3.

[11:57:42 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 11:57 a.m.