

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

March 28, 2024

10:15 a.m.

**MEMBERS PRESENT**

Representative George Rauscher, Chair  
Representative Tom McKay  
Representative Stanley Wright  
Representative Mike Prax  
Representative Jennie Armstrong

**MEMBERS ABSENT**

Representative Thomas Baker  
Representative Calvin Schrage

**COMMITTEE CALENDAR**

PRESENTATION(S): COOK INLET UPDATE

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

JOHN SIMS, President  
ENSTAR Natural Gas Company  
Anchorage, Alaska

**POSITION STATEMENT:** Gave a Power Point presentation, titled "Cook Inlet Update."

**ACTION NARRATIVE**

[10:15:46 AM](#)

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

**PRESENTATION(S): COOK INLET UPDATE**

[10:16:12 AM](#)

CHAIR RAUSCHER announced that the only order of business would be the Cook Inlet Update presentation.

[10:17:33 AM](#)

JOHN SIMS, President, ENSTAR Natural Gas Company ("ENSTAR"), gave a PowerPoint presentation [hardcopy included in committee packet], titled "Cook Inlet Update." He began on slide 2, giving a perspective of the consumers and the duty that the gas supply companies hold. He said that there is no time to analyze hypothetical or theoretical ideas, that there must be real solutions. He continued to slide 3, which displayed a graph of past, current, and projected gas demand based on different scenarios of use. He gave further detail on what each part of the graph was aiming to communicate, as well as detailed current contracts and agreements between utilities and gas companies. He moved to slide 4, which showed the cost of additional gas supply in the Cook Inlet. He further explained a previously mentioned contract agreement. He moved to slide 5, which displayed an overview graphic of the contract terms previously mentioned. He continued to slide 6, which outlined the roles of each gas supply company in four different proposed projects around Alaska. He moved to slide 7, where he explained the summary findings based off of the studies performed on the proposed projects previously mentioned. He skipped slides 8 and 9, stopping on slide 10 to touch on how the gas companies could meet peak demand with a variety of energy sources. He moved to slide 11, which gave context to the reliability of wind power, which led into slide 12, where he wrapped up his hypothetical of how the gas companies could combat an overloaded system with no reserve energy.

[10:34:41 AM](#)

MR. SIMS, in response to Representative McKay, brought his presentation back to slide 8, where he explained how a gas supply shortage may be avoided through thorough planning, minimizing impact, and recognizing the impact that gas supply has to customers. He moved forward to slide 9, to explain how the storage of additional reserves of gas is critical to energy security in the Cook Inlet Region. He progressed to slide 13, which displayed an example of the economic impact that an increase in gas prices in the Cook Inlet Region would have. He finished his presentation on slide 14, which emphasized that there is no unsubsidized energy solution that will reduce the cost of power or space heating in the next 10 years. He said,

"The second-worst thing for Alaska is to import LNG [Liquified Natural Gas]. The worst thing is to do nothing."

[10:40:55 AM](#)

REPRESENTATIVE ARMSTRONG asked whether the 30-percent increase model is assuming a 7 billion cubic feet (Bcf) shortfall, how much of each Bcf the state is importing, and what the economic impact on the individual ratepayer is.

MR. SIMS responded that most of ENSTAR's demands are met with contractual agreements. He said if ENSTAR were to import gas, assuming a \$16 dollar price per thousand cubic feet (Mcf), it would result in a 30-40 percent increase in cost to ratepayers. He said that the 30-percent number is reflected through all of ENSTAR's gas sales customers, not just the Anchorage School District.

REPRESENTATIVE ARMSTRONG asked how the red parts of the graph on slide 3 translate to dollar impacts on customers. She emphasized the importance of providing clarity on how fluctuating gas prices and uncertainty in energy supply would affect ratepayers.

[10:44:32 AM](#)

REPRESENTATIVE PRAX referred to Mr. Sim's previous statement that "the second-worst thing for Alaska is to import LNG, the worst thing is to do nothing," and he asked what the third, fourth, and fifth worst things to do are.

MR. SIMS said that ENSTAR must be very clear on what solutions are and what solutions aren't. He said that renewable energy ("renewables") won't save space heating challenges, but they would relieve pressure from gas demand. He gave an example of Homer Electric's energy demand and how ENSTAR handled this year's cold snap. He said there are very few options for handling a crisis shortage, but an LNG pipeline from the North Slope would be a real solution.

REPRESENTATIVE PRAX asked if an LNG import facility could be built before Cook Inlet runs short on its gas supply.

MR. SIMS answered that an important distinction is the scale of the facility and its importing capability and whether the state is to view that import facility as a short-term or long-term solution.

[10:50:19 AM](#)

CHAIR RAUSCHER asked about the business model of ENSTAR, giving an analogy to a theoretical cylinder of gas to represent Alaska's total gas consumption.

MR. SIMS responded that the biggest challenge with the gas supply issue is trying to minimize direct costs to customers. He said producers in Cook Inlet aren't willing to enter into production contracts. He said that a more expensive short-term solution that leads to a cheaper long-term solution is okay, if only temporarily.

[10:53:35 AM](#)

REPRESENTATIVE PRAX asked about what solutions are possible in the short term. He asked whether bringing LNG to Alaska on isotankers would be plausible.

MR. SIMS replied that he has direct oversight of getting LNG imported, but he has zero control over opening new drilling platforms in Cook Inlet.

REPRESENTATIVE PRAX asked about the feasibility of offloading the gas without a major port construction.

MR. SIMS said that there is certainly construction that would need to be done, but the two main questions are where the gas is coming from and how much the gas would cost.

REPRESENTATIVE PRAX asked why ENSTAR likes the option of importing LNG.

MR. SIMS answered that there are no doubts in his mind related to the supply and cost of natural gas.

[10:57:54 AM](#)

CHAIR RAUSCHER asked if the legislature has prepared enough legislation or tax credits or incentives to bring businesses that provide energy to Alaska.

REPRESENTATIVE PRAX echoed the query by asking what ENSTAR needs from the state to make importing a viable option.

MR. SIMS, in response to both questions, said that a streamlined permitting process would be critical. He said if the state were to subsidize costs, it would be a direct benefit to the ratepayer. He said once ENSTAR begins importing LNG, most other options will go away. He asked the legislature to look at other options for solutions, specifically reliable, realistic projects. In further response to Representative Prax and Chair Rauscher, he said that there is a lot of work being done and that the entities that would need to work together are already in some form of communication. He said it must be a more collective effort between government entities, supply companies, and utilities companies to solve the problem in the long term.

[11:05:42 AM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 11:05 a.m.