

HOUSE FINANCE COMMITTEE  
April 30, 2024  
9:05 a.m.

9:05:32 AM

[Note: Meeting was continued from the previous day. See separate House Finance Committee minutes dated 4/29/24 at 1:30 p.m. for details.]

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 9:05 a.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative DeLena Johnson, Co-Chair  
Representative Julie Coulombe  
Representative Mike Cronk  
Representative Alyse Galvin  
Representative Sara Hannan  
Representative Andy Josephson  
Representative Dan Ortiz  
Representative Will Stapp  
Representative Frank Tomaszewski

MEMBERS ABSENT

Representative Bryce Edgmon, Co-Chair

ALSO PRESENT

Honour Miller-Austin, Staff, Representative Will Stapp; Renee Gayhart, Director, Division of Health Care Services, Department of Health; Deb Etheridge, Director, Division of Public Health, Department of Health; Chris Rose, Executive Director, Renewable Energy Alaska Project; John Burns, CEO, Golden Valley Electric; Travis Million, COO, Golden Valley Electric; Zach Young, Staff, Representative Frank Tomaszewski.

PRESENT VIA TELECONFERENCE

Joel Groves, Board Chair, Railbelt Reliability Council, Anchorage; Ken Huckeba, Self, Wasilla; Mike Jones, Self, Homer; Kassie Andrews, Self, Anchorage.

SUMMARY

HB 122 RAILROAD CORP. FINANCING

HB 122 was HEARD and HELD in committee for further consideration.

HB 260 CATASTROPHIC ILLNESS/MEDICAL ASSISTANCE

HB 260 was REPORTED out of committee with seven "do pass" recommendations and three "no recommendation" recommendations and with one previously published fiscal impact note: FN2 (DOH); and one previously published zero fiscal impact note: FN1 (DOH).

HB 307 INTEGRATED TRANSMISSION SYSTEMS

HB 307 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda.

#hb260

HOUSE BILL NO. 260

"An Act repealing programs for catastrophic illness assistance and medical assistance for chronic and acute medical conditions."

9:07:03 AM

Representative Stapp introduced himself as the sponsor of HB 260 and invited his staff to offer a brief overview.

HONOUR MILLER-AUSTIN, STAFF, REPRESENTATIVE WILL STAPP, introduced herself and reviewed the bill. She explained that HB 260 would repeal the program for Catastrophic Illness and Medical Assistance (CAMA) for chronic and acute medical conditions. The program would be removed from the Division of Public Assistance (DPA) and be repealed from statute.

Co-Chair Johnson noted that she was pleased to see a decrease in the fiscal note.

9:08:55 AM

RENEE GAYHART, DIRECTOR, DIVISION OF HEALTH CARE SERVICES, DEPARTMENT OF HEALTH, reviewed the fiscal impact note with control code nrZLx [FN2] from the Department of Health (DOH). She confirmed that the fiscal note indicated that the state would save money if the bill were to pass and CAMA were to be repealed.

Representative Josephson asked if the bill could result in individuals ceasing to receive coverage from Medicaid or the Affordable Care Act (ACA).

9:09:50 AM

DEB ETHERIDGE, DIRECTOR, DIVISION OF PUBLIC HEALTH, DEPARTMENT OF HEALTH, responded that the individuals who utilized CAMA were immigrants who had a five-year waiting period for Medicaid; however, benefits were offered through the federally facilitated marketplace. If an individual was denied a benefit and was in the five-year waiting period, a referral would automatically be made to the federally facilitated marketplace and the individual's application would be processed by the marketplace.

Representative Josephson understood that there could be instances where both circumstances could be true, and an individual could be ineligible for both Medicaid and the ACA.

Ms. Etheridge responded that if there was an individual who was eligible to access the narrow scope of benefits through CAMA, it was likely to be on a secondary payer source. She shared that no one had been receiving benefits through CAMA and there had been no payments for the last few years, but it was difficult to predict the future. The benefits were generally available through the federally facilitated marketplace.

Representative Josephson understood that ACA should be affordable by definition. He asked how out-of-pocket payments worked under the various programs.

Ms. Etheridge responded that individuals would qualify for premium tax credits through the marketplace and ACA plans. She was not an expert on the insurance plans offered through the marketplace and thought the question would be better posed to someone with more expertise.

9:12:28 AM

Representative Stapp responded that the answer was that eligibility was income-based. As income decreased, eligibility for premium tax credits increased. He clarified that insurance payments were lower for individuals who made less money.

Representative Hannan asked about the savings in the fiscal note. She asked if the savings were due to staffing reductions alone or if savings also resulted from the eradication of application reviews.

Ms. Gayhart responded that the full \$153,900 savings indicated in the fiscal note included services and did not include staffing costs.

Representative Hannan asked whether it was anticipated that it would cost \$153,900 to provide services to the individuals who were currently receiving services through CAMA.

Ms. Gayhart responded that the figure represented the amount that had been carried over since Medicaid expansion started in 2016.

Representative Hannan asked if it was carryover because Medicaid was not expanded or whether it was simply the amount that was typically allocated in the budget.

Ms. Gayhart responded that it was the dollar amount that was anticipated to be the average after expansion, knowing that the bulk of the population would receive services through the federal marketplace. The funding had been in place since expansion in 2016.

Representative Stapp understood that it was the money included in grants and benefits and was budgeted for every year. The audited actuals showed that the money lapsed every year.

[9:15:24 AM](#)

Ms. Etheridge reviewed the zero fiscal impact note from DOH with control code YuxUQ [FN1]. The costs to repeal CAMA could easily be absorbed by the Division of Public Health (DPH). She explained that the division would shut off portions of the program in the eligibility system and the option to apply for CAMA would be removed from the applications. Any references in DPH manuals would also be removed.

Representative Hannan highlighted that the fiscal note specified that CAMA could be used as a last resort for people who experienced chronic conditions and the program was utilized particularly by seasonal workers. She asked for more information on the potential usage of CAMA. She understood that seasonal workers would not receive a full year of coverage. She noted that the state had many seasonal workers in the fishing industry and tourism industry.

Md. Etheridge responded that the limited scope of eligibility was for immigrants with a five-year waiting period for Medicaid. The scope of service was limited to specific diagnoses and specific outpatient services. A seasonal worker could potentially apply for the CAMA program, but could also be eligible for a marketplace insurance benefit. She understood that there was a special enrollment period that allowed eligible individuals to apply at any time and not only during open enrollment.

Representative Stapp understood that if an individual were to become unemployed and lose healthcare coverage, the individual could still enroll in the marketplace during a special enrollment period.

Representative Hannan asked for a few examples of the specific diagnoses of the CAMA program.

Ms. Etheridge responded that covered under CAMA were people with terminal illnesses, cancer requiring chemotherapy, chronic diabetes or diabetes encephalitis, chronic seizure disorder, chronic mental illness, and chronic hypertension.

[9:19:40 AM](#)

Representative Galvin understood that immigrants had a five-year waiting period for Medicaid. She asked if an individual waiting for Medicaid eligibility who developed cancer would still be eligible for ACA.

Ms. Etheridge responded that individuals would be eligible for an option under ACA or the federally facilitated marketplace.

Representative Galvin understood that immigrants could apply through the special enrollment period and receive immediate coverage.

Ms. Etheridge replied that an individual would be eligible to receive coverage on the first day of the next month following the application.

[9:21:44 AM](#)

Co-Chair Johnson MOVED to REPORT HB 260 out of committee with individual recommendations and the accompanying fiscal notes.

There being no objection, it was so ordered.

HB 260 was REPORTED out of committee with seven "do pass" recommendations and three "no recommendation" recommendations and with one previously published fiscal impact note: FN2 (DOH); and one previously published zero fiscal impact note: FN1 (DOH).

[9:22:27 AM](#)

#hb307

HOUSE BILL NO. 307

"An Act relating to the taxation of independent power producers; and increasing the efficiency of integrated transmission system charges and use for the benefit of ratepayers."

[9:22:44 AM](#)

JOEL GROVES, BOARD CHAIR, RAILBELT RELIABILITY COUNCIL, ANCHORAGE (via teleconference), explained that one of his specialties was small hydroelectric systems. He often worked in the villages and on the railbelt developing small

hydro projects for various communities. He referred to the PowerPoint presentation "Railbelt Reliability Council" dated April 29, 2024 (copy on file). In 2020, SB 123 became law and created electric reliability organizations (ERO) for applicable portions of the state. The only applicable portion under the law was the Railbelt Bulk Energy System (RBES) which ran from the Kenai Peninsula through Anchorage and the Mat-Su Valley, and up into Fairbanks. Over the past few years, the Railbelt Reliability Council (RRC) had been working on becoming an ERO. There had been questions about RRC's progress and status over the past four years, but the simple answer was that RRC had been going through a series of regulatory approvals to receive the authority to perform the duties of EROs.

Mr. Groves explained that slide 2 of the presentation offered a general timeline of the past four years. The blue bars on the top row represented the higher authorities' decision-making processes. In May of 2020, SB 123 was signed into law and over the next two years, the RCA went through a regulation-making docket to create Section 3 AAC 46 of the Regulatory Commission of Alaska (RCA) regulation, which was a new regulatory chapter that implemented SB 123. By the end of 2021, the regulations were in effect, which began a 90-day application period during which prospective ERO applicants could submit an application.

Mr. Groves continued that ultimately, RRC became certified as an ERO in September of 2022. Once the council was certificated, it was ordered to file its 2023 budget in accordance with the regulations. The filings were made in December of 2022, and both were suspended in the docket for investigation near the beginning of 2023. He explained that most of 2023 was spent investigating the budget and investigating the proposed tariff. The investigations ultimately resulted in an interim nonrefundable inception surcharge, which was approved and went into effect in April of 2023. In 2023, the council's budget was filed with the RCA.

Mr. Groves noted that the orange line on the chart represented the actions of the RRC itself over that same time period. The bottom line on the chart was the RRC mission work to fulfill the mandates of SB 123 and advance the objectives of the ERO. The mission work had begun in 2023 and the work was continuing in 2024.

Mr. Groves advanced to slide 2 and explained that once the council was funded in April of 2023, it began searching for a CEO. Unfortunately, the search was unsuccessful and the council retained a professional recruiting service in October of 2023 to find candidates. The recruiting service had been searching for candidates for about six months. He added that the council was currently in negotiations with a preferred CEO candidate and he expected that there would be board action at the next RRC board meeting on May 6, 2024, to begin a formal relationship with the CEO. He could not disclose any more details at the present moment, but he hoped that the council was close to hiring a CEO.

Mr. Groves relayed that the board authorized a few interim measures to facilitate mission work, such as hiring a chief administrative officer on a contract basis and a chief technical officer on a contract basis to relieve the board of some of the duties of running the organization. One of the other actions on the agenda at the next board meeting was to begin product development of reliability standards, which was one of the key duties that the RRC had been tasked with after the implementation of SB 123. He relayed that the council would begin product development over the next few months, which would involve developing reliability standards, running the standards through a stakeholder process with working groups, requesting approval from the board, and putting the standards forward to the RCA for its consideration and approval.

Mr. Groves continued that the key takeaways were that it had been a long road to receive the necessary regulatory approvals, but the council had secured the approvals over the past 15 months. The council was finally past the starting line and was beginning its mission work. He added that RCC was also tasked with transmission cost allocations, transmission open access, and interconnection standards.

[9:30:42 AM](#)

Co-Chair Foster noted that there were two more invited testifiers.

Representative Hannan asked for the names of the board members.

Mr. Groves responded that the board was called a balanced stakeholder and independent board. There were 13 voting members and two ex-officio members. The thirteen voting members consisted of one representative for each of the load-serving entities, which were the five utilities that served the railbelt consumers, one representative for Doyon Utilities, and one representative for the Alaska Energy Authority (AEA). He explained that he filled one of the two independent power producer seats on the board. Additionally, there were three consumer seats: one representing small consumer interests, one representing large consumer interests, and one representing environmental consumer interests. The final seat was an independent director.

Representative Hannan asked if the board had the legal authority to hire and fire the CEO.

Mr. Groves responded that the board operated autonomously and had the authority to hire and fire the CEO. The decision would not have to go back to the stakeholder entities for approval.

Representative Hannan asked if the board had the authority to make other governing decisions, like signing contracts.

Mr. Groves responded in the affirmative. The RRC was organized as a nonprofit and it was an autonomous, fully independent organization. There was an expectation that each of the board members would coordinate with their stakeholder group to ensure the actions of the board members were aligned with stakeholder interests; however, board members also had a duty of loyalty, a duty of care, and a fiduciary duty to the RRC as well. He acknowledged that there was the potential for conflict when stakeholder interests were not aligned with the RRC's interests. Each board member was responsible for independently navigating the issues.

Representative Hannan asked if the RRC would have the authority to act if it decided that it needed a docket before the regulatory commission. She wondered if the RCC would need to ask for a docket of referral.

Mr. Groves responded that RCC had the authority to request or petition for a docket. As the mission work advanced,

plans would be approved by the board and passed on to the commission.

[9:34:57 AM](#)

CHRIS ROSE, EXECUTIVE DIRECTOR, RENEWABLE ENERGY ALASKA PROJECT, explained that he would be testifying on behalf of the Renewable Energy Alaska Project (REAP) but disclosed that he was also an RRC board member. He relayed that REAP was a statewide non-profit coalition of over 60 diverse members, including both urban and rural utilities, project developers, non-governmental organizations (NGOs), Alaska Native entities, and educational institutions. All of the members shared the mission of increasing the development of renewable energy and promoting energy efficiency across the state through education, collaboration, training, and advocacy. The members had been working together to develop good policies in the state that lowered costs and diversified energies. One of REAP's first successes was the development and creation of the Renewable Energy Fund (REF) in 2008. The members believed that HB 307 would solve two important problems involving the railbelt: firstly, it would eliminate the wheeling tariffs in the railbelt, allowing electricity to move more economically up and down the system; secondly, it would establish tax parity for independent power producers (IPP) that were currently subject to local property taxes when electric cooperatives were not. He thought that HB 307 solved the problems without the controversial provisions that were included in the Senate's version of the bill.

Mr. Rose explained that the bill would create a more level playing field for private sector investment into diversifying the railbelt's energy mix. Currently, over 40 percent of the power that was produced in the United States came from IPPs which took on all the financial and development risks of the projects. The IPPs then signed power purchase agreements with utilities. The electricity prices were known well in advance. One of the important advantages of renewable power was that there were no fuel prices associated with the contracts. He added that IPPs often brought specific expertise on certain technologies. The current percentage of IPP power was less than 5 percent. The state of Alaska had no standard that signaled to investors in the rest of the country that the state was open for business, but even without a standard, HB 307

could attract more private investment into building and operating renewable generation.

Mr. Rose relayed that the first provision in the bill gave IPPs the same exemption from local property taxes that not-for-profit local co-ops and municipal utilities enjoyed. The policy rationale for exempting co-ops was to avoid passing the costs on to consumers. Currently, the property taxes added unnecessary costs to the power purchase agreements that the IPPs were offering to utilities, and it stifled private sector participation in the railbelt electric sector. He thought that passing 307 in the current year would give IPPs and utilities that were currently in talks about renewable development certainty about whether the property taxes would need to be paid. He noted that REAP supported the provision.

Mr. Rose continued that the second provision of the bill also took away a commercial barrier that was currently applied to the railbelt, which was known as the pancaking transmission tariffs. There were five owners in the railbelt system who were all able to charge a wheeling fee when the electricity entered each owner's part of the system. He explained that when electricity was moved from a home base to Fairbanks, for example, it could become expensive. The transmission fees stacked up like pancakes, which was the origin of the term. He understood that the committee had heard from testifiers that the cost of owning and operating the transmission system did not increase with more use. Conversely, the fixed costs could be spread over more kilowatt-hours as usage increased. It was beneficial to consumers for there to be more activity in the system.

[9:39:42 AM](#)

Mr. Rose continued that HB 307 aimed to eliminate transmission cost recovery through wheeling tariffs and instead recover all the costs through rates. The mechanism described in the bill would task a new association of transmission owners to agree on the total cost of the transmission system and ask the owners to split the costs amongst themselves. The association would meet to discuss issues like ancillary services, which were services that generation facilities could supply to facilitate transmission. The generation facilities would propose to the RCA a tariff or a rule that explained the cost of the system and the suggested way of splitting the costs amongst

the five owners. The RCA would then approve or disapprove the transmission cost recovery tariff. He clarified the bill would simply reallocate the cost of transmission and it would not necessarily change the cost of the transmission system.

Mr. Rose continued that instead of recovering transmission costs through rates and wheeling fees, the costs would be recovered through rates. Removing wheeling fees would also enable more bilateral transactions among the utility companies because the utilities were all subject to each other's fees as well. The removal of the fees would also incentivize IPPs to build more projects. In the past, other proposed projects had failed because the cost of moving electrons had exceeded the cost of generating the electrons, which was not good for consumers. He suggested that more IPPs in the system was better as it would introduce more competition.

Mr. Rose explained that Cook Inlet Gas was already expensive and all utility companies were already paying between \$7.75 and \$8 per thousand cubic feet (MCF), which was five times the typical cost of natural gas in the continental U.S. Additionally, the utility companies were predicting that the state would soon experience an increase of about 50 percent. The companies were preparing to import natural gas and the consultants that both Chugach Electric and NSTAR had retained expected that prices would increase to around \$12 per MCF for gas. Rates were likely to increase significantly for electricity, which would raise the floor for power cost equalization (PCE). The increase would also impact heating consumers because the cost would be a direct pass-through for heating.

Mr. Rose relayed that solar and wind were the lowest-cost electricity on the planet and the systems could also be developed relatively quickly. There were currently multiple renewable projects being proposed by IPPs to the utilities in the state. One developer was proposing two wind projects that could increase the amount of renewable electricity on the railroad grid from 15 percent today to over 40 percent in a few years. The projects could be built in four years. If other proposed solar and wind projects were also built, it was conceivable that the entire railroad grid could have upwards of 50 percent of its electricity coming from renewable sources by 2030. Implementing other forms of electricity would displace billions of cubic feet of

natural gas that could be reserved for heating and save Alaskan consumers hundreds of millions of dollars. He relayed that in the prior month, the National Renewable Energy Laboratory (NREL) finished a study that found that if the railbelt grid were to move to over 75 percent renewable electricity by 2040, Alaskan consumers would save \$1.3 billion.

Mr. Rose continued that the state would be facilitating local development of local resources and local jobs and attracting industry rather than repelling it. He concluded by stating that the two discrete problems that could be solved by HB 307 should be considered significant wins if this bill were to pass.

[9:44:54 AM](#)

Co-Chair Foster appreciated the testimony and thought it was explained well in layman's terms.

Representative Coulombe recalled that Mr. Rose stated that solar and wind were the lowest-cost energies. She was confused how the system would work if the state offered a property tax break or other tax credits to IPPs. She asked for clarification that Mr. Rose was stating that solar and wind were the lowest cost options alongside the tax breaks and subsidies.

Mr. Rose replied that all energy was subsidized, which included both fossil fuels and renewable energy. He noted that fossil fuels were subsidized more stringently than renewable energies. The state could receive 40 percent tax credits because Alaska was considered an energy community under the Inflation Reduction Act. An analysis accomplished by the Energy Information Agency found that solar and wind were coming in cheaper than any new natural gas plants in the country. Over the last year, 85 percent of all new energy generation in the U.S. was in solar, wind, and batteries. The bill offered taxpayer-independent power producers a tax provision, which was another local benefit that the state could provide to level the playing field between an IPP and a utility company.

Mr. Rose explained that for instance, a utility might find that it could build a project cheaper than an IPP because utility companies would not have to pay property taxes if it was a cooperative or municipality. He argued the same

policy rationale should apply to co-ops, which was to avoid passing property taxes onto consumers. If an IPP had to pay property taxes, the costs would be passed on to consumers.

Representative Coulombe explained that her concern was that solar and wind would not be as reliable as gas. She acknowledged that all energy types were subsidized. She understood that the local property tax was affected and there would be a negative impact on the local governing unit. She understood that solar farms required a large amount of acreage. She asked if Mr. Rose knew the position of the local municipalities on exempting the property tax.

Mr. Rose responded that he was aware that Fairbanks was in support of the bill. He was not aware of the position of other municipalities, but he knew that the other municipalities were apprised of the bill. He had not heard any testimony against the bill. He added that the aforementioned NREL study took into account the cost of batteries and gas storage to make sure that the whole system was reliable, 24 hours a day, 365 days a year, and still found that consumers would save over \$100 million a year, even after spending \$45 million to integrate variable resources. He added that Alaska had enviable fast-ramping natural gas plants and hydro systems, and the state would never eliminate such assets. The assets would facilitate the integration of solar and wind resources, but it would cost money to accomplish. Despite all of the costs, the state would still save \$100 million per year.

[9:50:17 AM](#)

Representative Hannan understood that Mr. Rose had said that the state was not renewable in relation to IPPs. She did not think anything in the bill restricted the IPPs from being reliable. She asked if the bill should require a definitional change to incentivize renewable development.

Mr. Rose responded that he did not think there should necessarily be a change. The market would favor renewables because they were less expensive than fuel-based resources. He reiterated that natural gas resources in the Cook Inlet were five times higher than the same resources in the continental U.S. He thought it was a policy call if the legislature wanted to make a definitional change.

Representative Hannan commented that the utility in Juneau was investor-owned. Many of the utilities in Southeast were small, local utilities that were investor-owned and not co-ops or municipal. She asked if it would be better if the words "cooperative" or "municipal" were deleted from the bill and instead the bill stated that the IPP tax advantage was only applicable when it sold to a utility. In Southeast, there was no incentive for an IPP to come online and help an investor-owned utility because there would be no tax advantage.

Mr. Rose responded that he would not oppose the change.

[9:52:06 AM](#)

Representative Galvin asked Mr. Rose to help the everyday Alaskan consumer understand how consumer prices would be impacted over the next five years. She asked if there would be movement toward 40 percent tax credits. She imagined that wind and solar would contribute to savings but she was unsure about battery readiness.

Mr. Rose responded that most of the activity would likely come from wind followed by solar. He stressed the importance of preventing prices from increasing. The state needed to reserve the gas it still had for heating. He explained that NSTAR had no other business model but to buy gas and sell gas and NSTAR would want a long-term contract. All of the electric utilities had alternatives; in fact, most utilities around the world were moving towards renewables. He was not suggesting that rates would immediately decrease, but simply that the rates would not continue to increase as they had over the last decade.

Mr. Rose shared that Anchorage railbelt consumers were currently paying 60 percent higher prices for electricity than the national average. The increases were mainly due to gas prices. The largest wind and solar projects in the railbelt were much smaller than the projects being built in the continental U.S. Due to the small population in the state, it was likely to not receive large projects, but some entities in the state were researching ways to use renewables to provide energy straight to manufacturers. The state was fortunate to have tremendous renewable energy resources. He concluded that removing barriers to renewables would help the state acquire larger-scale projects and introduce more competition. The state had four

monopoly utilities and no current incentives for IPPs to build relationships and make transactions in the state. He had talked with many large developers who told him that if a standard was set in Alaska, the developers would come.

Representative Galvin understood that the ERO project within the bill would help motivate developers to come to Alaska. The introduction of competition would help prevent utility costs from rising and move the state towards a plan to implement renewables.

Mr. Rose replied that HB 307 did not address the ERO or RRC. He explained that REAP created an association of transmission owners that would propose a transmission cost recovery tariff to RCA. The transmission owners could determine the current costs of the transmission system and examine existing contracts, among other considerations, and propose how to divide the costs. The transmission owners were the only entities that would be able to charge the consumers to recover transmission costs. Currently, charging most of the transmission cost was done through consumers' bills, but a portion was derived from wheeling fees. Eradicating the wheeling fees would remove a transactional barrier and allow more utilities and IPPs to use the system.

[9:57:54 AM](#)

Representative Josephson noted that Mr. Rose had mentioned the 40 percent tax credits for renewables. He thought that the 45Q tax credit in carbon capture utilization and storage would be an example of such a credit. He asked if he was correct.

Mr. Rose responded in the affirmative.

Representative Josephson understood that investors had not observed enough goal setting in Alaska. He understood that the state could have 50 percent renewable energy by 2030. He asked if Alaska should "go big or go home."

Mr. Rose responded that many places around the world were already far over 50 percent. His home state of Iowa was at almost 60 percent using wind energy, South Dakota was over 50 percent, and Portugal was over 61 percent. He relayed that fuel prices were not worrisome in locations that were using high levels of renewable energy. Stable prices were

desired and fossil fuel prices offered very little certainty in price. He shared that 29 states had implemented renewable portfolio standards, but the standards could only exist if there was a compliance penalty if standards were not met.

Representative Stapp was confused which bill was being discussed.

Representative Josephson thought that the committee was discussing HB 307.

10:01:00 AM

Representative Josephson thought that the House version of HB 307 had a lot of catching up to match all of the items included in the Senate version of the bill [SB 217].

Mr. Rose replied that although there were good provisions in the Senate version, there were also some concerning provisions. He stressed that REAP preferred the House version of the bill and he thought that passing HB 307 would be a significant win. He explained that Chugach Electric Association (CEA), the governor's office, and REAP were all concerned about separating the planning function and giving transmission planning to a new entity and taking it away from the current RRC.

Representative Josephson asked if it was concerning because the new planning function would be a distraction from legislation passed in 2020.

Mr. Rose replied that he thought it created confusion and redundancy. All of the relevant entities already had a seat on the RRC and were already part of the transmission planning. There was no need to request another body to do the transmission planning; however, there may be a need for another body to manage the transmission system. He explained that the Senate version would allow a new entity to plan transmission and build transmission without being subject to the pre-approval project provision. The lack of supervision meant that hundreds of millions of dollars could be spent on the transmission build with no RCA oversight and consumers could be responsible for the funding, even if the federal government paid for half of it.

[10:03:41 AM](#)

Co-Chair Johnson referred to page 2, lines 1 through 7 of HB 307, which defined IPPs. She understood that SB 217 was significantly different than HB 307. She asked Mr. Rose to provide an overview of the differences between the two bills and why he thought that the House version was better.

Mr. Rose responded that there was not a significant difference between the two bills when it came to IPPs. The difference he was concerned about was that separate legislation, SB 257, was essentially rolled into SB 217. He explained that SB 257 would create the Railbelt Transmission Organization (RTO) and REAP's concerns were around the proposed organization.

Representative Cronk thought that the committee should focus on the House bill and not the Senate bill.

Co-Chair Foster had considered scheduling the Senate version of the bill during a House Finance Committee meeting to better understand what was happening. He thought Representative Cronk made a fair point and the committee should usually try to focus on the appropriate bill.

Co-Chair Johnson understood Representative Cronk's point and she thought that the bills would be combined at some point. She had been trying to understand IPPs and thought Mr. Rose could help provide more information. She understood that the House bill was less complicated than the Senate version.

Co-Chair Foster explained that one potential avenue was that the House might send over HB 307 to the Senate and the Senate might roll into it several other bills, then send it back to the House.

[10:08:07 AM](#)

Representative Stapp understood that the renewable energy companies did not want to invest in the state due to a lack of set standards. He asked for clarification.

Mr. Rose replied that renewable energy was a huge business around the world and companies had to decide how to allocate resources. There needed to be some type of standard to attract companies, particularly considering

Alaska's small population. For example, there might be a standard that the state would reach 75 percent renewable electricity by 2035 or 2040, which would send a signal that many projects needed to be built to achieve the goal. A company was unlikely to invest in Alaska, build offices, and remain in the state for 15 to 20 years unless there was a standard.

Representative Stapp understood that even if it was cheaper to invest in renewables, the economic investment in renewables was cheaper than what the railbelt currently had, and the railbelt would still need a forced transition in order to properly communicate to outside companies that the state was a sound investment.

Mr. Rose responded that it was possible that some developers could come to the state without a forced transition. There were some IPPs in the state already, but there was little competition among the IPPs. He relayed that REAP wanted to attract as many competitors as possible to offer consumers the best price. The larger companies were not going to bother to invest in a state with a small population unless there was a set standard. Potential projects in Alaska were insignificant compared to projects in the rest of the country. The combined aggregate load of the railbelt was about half a power plant in the continental U.S. All of the utilities in the state combined equaled about 500 megawatts per year, which was half of a one-gigawatt power plant in the rest of the nation. The comparison was another reason why Alaska needed to set standards and offer certainty to companies that there would be more projects going forward.

Representative Tomaszewski asked what the two most reliable energy sources in Alaska were.

Mr. Rose responded that baseload resources like hydro and natural gas were usually reliable, but not always. Natural gas was the most reliable in the state, but there had still been problems with the state's natural gas facilities in the past.

Co-Chair Foster noted that the committee had a stacked agenda and there was an additional meeting scheduled at 10:00 a.m. The meeting was one of the committee's last opportunities to send bills over to the Senate.

10:13:25 AM

JOHN BURNS, CEO, GOLDEN VALLEY ELECTRIC, explained that he brought staff with him to respond to the committee's questions. He noted that there was a meeting that examined transmission cost recovery in governance in terms of transportation and he brought with him an individual who was helping to facilitate the efforts.

Mr. Burns continued by thanking the legislature for its focus on energy issues. He relayed that railbelt utilities were not-for-profit, member-owned cooperatives that were singularly focused on the best interest of the members. He agreed that the state needed to attract IPPs. The railbelt utilities had a fiduciary obligation to the ratepayers. The utilities had been trying to join ERO while continuing to provide safe, reliable electricity. He appreciated the governor's focus on energy and thought the results that came from the Energy Security Task Force were compelling.

Mr. Burns agreed with Mr. Rose that HB 307 should be passed over SB 217. He stressed that the state needed to attract larger companies. He urged that HB 307 be slightly tweaked to ensure that the tax benefit would be received by the consumer. The ultimate objective was to lower the cost of energy to the consumer.

Mr. Burns explained that for Golden Valley Electric (GVE), the process was that every megawatt of power that came from Bradley cost \$1.02 in wheeling fees to send to Homer. He added that GVE also paid \$8.90 to Chugach Electric Association (CEA) for wheeling, then the megawatt would flow through the Matanuska Electric Association (MEA) system and cost GVE \$0.46 per megawatt, and then it would go to the Alaska Intertie transmission line and GVE would pay \$12.32. By the time a single megawatt arrived in Fairbanks, \$22.70 had been added to the total price. The additional fees impacted the ability to lower the cost of energy.

10:18:49 AM

Mr. Burns continued that the single objective of having an efficient transmission system was to ensure that the lowest-cost electron could be transmitted to the necessary location without constraint and at a single flat rate. He relayed that past testifiers had shared with the committee

that the rail belt was constrained and the provisions in HB 307 would help reduce economic constraint. Another important issue was physical constraint. The current system was undersized and needed significant improvement.

Mr. Burns relayed that the third important constraint was institutional. All power needed to be transmitted and, in Alaska, there was often congestion. For example, there were often significant traffic delays on the Glenn Highway. There needed to be a free flow of energy. He explained that 70 megawatts generated about 8 percent in line loss, which was simply vaporizing money into the atmosphere because of friction in the molecules. He stressed that the current system needed to be upgraded in order to bring on renewable energy and maximize it.

Mr. Burns shared that GVE was hoping to soon enter into a power purchase of 36 megawatts of wind in Delta Junction and 150 megawatts of wind in Shovel Creek. He explained that GVE was currently not able to bring all 150 megawatts into the system because it could not use it all, which was why it was so it was critical to transport energy south. The difference between a 150-megawatt project and a 60-megawatt project was significant. He added that renewable energy needed to be regulated, particularly because wind and solar energies were not always accessible. The goal was to maximize the efficiency of renewable energy.

Mr. Burns relayed that GVE was examining a 150-megawatt wind project and a large-scale solar project as well. He thought that energy diversity was critical. He thought the most reliable energy in the state was the Healy Power Plant which was a 26 megawatt coal plant. The plant had been producing for around 40 years.

Mr. Burns continued that the shortcoming of HB 307 was that it only handled the economic constraint. He urged the committee to also consider SB 217 because he thought aspects of the bill should be rolled into HB 307. Different utility companies had different interests, financial concerns, and different opportunities, which made it complicated to manage the best interests of all of the utilities. He argued that the function of the proposed RTO should be to manage the transmission assets that already existed.

[10:25:27 AM](#)

Mr. Burns relayed that the RTO was necessary because it would force all of the railbelt utilities into the "sandbox" and would communicate to utilities that the companies' single focus was to manage and operate the transmission system for the best interest of the railbelt as a whole. The model already existed in the form of the Bradley Project Management Committee (BPMC). He explained that the Bradley project was signed into law around 20 years ago and was thought to be too expensive; however, the project had saved ratepayers a tremendous amount of money and was one of the lowest-cost assets available.

Mr. Burns reiterated that he would appreciate if HB 307 and SB 217 were rolled into one piece of legislation because it would address both economic and institutional reform. He explained that there was a structure within BPMC that ensured that all voices were heard and that the decisions that were made were in the best interest of the railbelt as a whole. No single individual utility had the ability to override the opinions of the other utilities. Ultimately, AEA made the final decisions because it was a state asset and had bond governance. He stressed that there needed to be transformative change.

Mr. Burns urged that the committee fold SB 217 into HB 307 because the railbelt needed to diversify and had a fiduciary obligation to do so. He shared that GVE recently had the single highest increase in its cost of power in the history of the company and it was now the most expensive on the railbelt. He relayed that it was difficult to share the news of the increase. The upward trajectory of costs needed to be arrested. He hoped that the governor would sign into law a bill that introduced transformative change on the railbelt. The economic health of the railbelt would be an economic driver for the rest of the railbelt and the rest of the state. Costs of energy needed to be stabilized and lowered without sacrificing reliability and security.

[10:31:11 AM](#)

Co-Chair Foster appreciated Mr. Burn's testimony and perspective.

Representative Stapp thought that based on previous testimony, there were many entities in the "sandbox" that were willing to run at the first sign of adversity. He

agreed that the bill was foundational and important. He noted that there was a dispute regarding Bradley Lake and he had asked CEA about the dispute. He was told that CEA members paid less money for the power generated by Bradley Lake than GVE members. He did not believe that the statement could be true based on wheeling fees. He asked if Mr. Burns could speak to the issue.

Mr. Burns replied that he did not know. He had talked to the CEO of CEA and discussed the issue but the question of whether the 10 percent discount existed still remained. He understood that there was apparently an amendment in the Bradley power agreement that outlined the discount. He did not know why or how the discount came to be. He could share that the issue would be examined and that the fundamental objective was to be fair and reasonable. Once the evaluation was completed, the information would be transmitted to the RCA, which would be the regulating body.

[10:34:49 AM](#)

Representative Galvin appreciated the testimony and the historical insight. She noted that there was a larger project called the Susitna Hydro Project and she understood that it would provide all of the necessary energy for the railbelt. She asked for Mr. Burns to share his thoughts on the project.

Mr. Burns remarked that the project would require vision and long-term thinking. There had been a number of studies that had been compiled over the years, such as a study from around 2015 by AEA that included a list of the prospective projects that would take about 15 years. He relayed that had the projects from the study been instituted years ago, the state would not be in its current predicament. The state and the Railbelt utilities needed to examine all of the options available in order to stabilize, lower rates, and ensure reliable, secure, and lower-cost energy. He thought it would likely need to be funded through a general obligation bond. He explained that GVE had 36,199 members and the members had to bear the expenses of the projects. The state needed to be forward-thinking, which could not be accomplished without the legislature or the governor. He urged that the legislation be the first step in the transformational process. He went on a recent educational trip to Iceland that illustrated a possible future for Alaska. He shared that Iceland faced similar problems 20

years ago as the problems Alaska was currently facing, including high prices and a disconnected and undersized transmission system. He explained that Iceland had coalesced around a vision and the country had transformed.

10:40:06 AM

Representative Galvin understood that both SB 217 and HB 307 would set up the state well to address challenges and institutional constraints. She asked if her understanding was correct.

Mr. Burns responded in the affirmative and added that the state also needed to eradicate wheeling and pancaking and the ultimate rate needed to be fair and reasonable. Some utilities were fearful of changing rates but under no circumstance should a transmission system that served as an electron highway be used as a revenue-generating source. The cost must be fair and reasonable. He asked the legislature to be trusting because the Railbelt utilities were in the process of working on the issue. The utilities were committed to submitting the transmission cost recovery methodology to the RCA as expeditiously as possible. Once submitted, the RCA would review the methodology and if deemed appropriate, the cost would get built into the rates moving forward. He relayed that the GVE system could not absorb the new 150-megawatt project. He would be pleased to have lower-cost renewable energy enter the system, such as CEA's wind project.

Co-Chair Foster noted that the committee had a hard stop in 50 minutes.

Representative Cronk appreciated the testimony. He agreed that the state had a lack of vision, but argued that it needed to be ready to spend money and could not expect to borrow money because the costs would come back to the ratepayers. The state needed to pay money in a way that would benefit the ratepayer. There were many potential renewable resources in the Copper Valley but there needed to be a transmission line in order to take advantage of the resources. He did not think the state was currently fully taking advantage of its resources. He thought resource development was amazing and could impact an entire city. He wondered what would happen if mining corporations were shut down. He thought people in Fairbanks would be struggling to

pay electric bills and there would be serious issues. He stressed that resource development was not bad.

Mr. Burns responded that the load needed to grow if rates were to be lowered. He relayed that GVE was fortunate that it served four military bases because the bases were critical to national defense. The bases were becoming more reliant on GVE, but the company needed to have the capacity to transition. There were also mines in the interior of the state and the cost of energy was a limitation of the mines' capacity. He stressed that it was important to move forward responsibly and appropriately with a goal in mind. He understood that the utilities were often vilified for being a monopoly, but there was a reason for the monopoly. The utilities were responsible for providing safe, reliable, low-cost energy. He relayed that GVE had around \$1.5 billion in assets that needed to be recovered over time. He remarked that Alaska had to operate differently than states in the continental U.S. The total load on the intertie was about 750 megawatts and the load needed to grow responsibly, but growth would take time.

[10:47:36 AM](#)

Co-Chair Johnson commented that it was interesting to hear different perspectives. She thought it was exciting to watch the vision form as she did not think there was a vision at the beginning of the year. The state would need transmission to be upgraded whether it chose renewables or gas. She had always been supportive of the upgrade and she thought it was a good project. She appreciated that a significant amount of hard work had gone into the project. She asked if Mr. Burns knew how the 10 percent figure came about and if he could expand on the methodology and capacity. She asked if there was anything particular in the bill that affected GVE that Mr. Burns would like to expand upon.

Mr. Burns responded that there were two provisions in HB 307 regarding tax parity. He thought the bill needed to be tweaked slightly to ensure that the intended benefit was achieved. He urged that SB 217 be folded into HB 307. He thought that the RTO should be enacted and all rRilbelt management should be done by RTO. The Railbelt assets were owned individually by different entities and that management was done by the railbelt utilities. He was at a hearing recently and heard recommendations that a couple of

additional ex-officio non-voting members should be added to RTO.

Mr. Burns explained that the Transmission Cost Recovery and Governance Committee was focused on identifying the cost methodology, which included evaluating whether the 10 percent discount would be appropriate. He was not aware of the justification behind the discount and he would not opine on it, but he agreed that the discount should be examined. He noted that the RTO meetings would be subject to the open meetings act to ensure that there would be nothing hidden in the process. He shared that GVE had applied for a number of grants, but it was a convoluted process. He reiterated that the load needed to grow and that the utilities should have the flexibility to manage it. He agreed that utilities companies had an obligation to residents to provide energy and he hoped that the legislature would trust the companies to do so.

[10:55:03 AM](#)

Representative Tomaszewski asked what the two most reliable sources of our power in the state were and the two most affordable.

Mr. Burns responded that the most affordable and most reliable overall was likely Bradley Lake. He relayed that GVE had 16.9 percent interest in Bradley's hydropower project and CEA had about 53 percent interest. Each system was slightly different and reliability looked slightly different depending on the utility company. He thought that the most reliable source of power for GVE specifically was Healy. He shared that his dream would be that there would be generation sources all along the Railbelt, which was why the resource planning by the ERO was important. The most money should be deployed to the location with the best resources. He emphasized that the system needed to change and it was no longer affordable. The utilities companies had a fiduciary obligation to continue to supply energy to service territories. The benefits that were saved on the railbelt helped the PCE as well as the entire state.

Representative Tomaszewski asked how the line loss was calculated. He wondered if the line loss would be reduced when the high-voltage direct current line was implemented.

Mr. Burns responded that there was a meter at each end of the line. Once the energy traveled from one end to the other, the meter would determine how much energy was actually received; however, the energy was purchased upfront. The difference between the energy that had been received and the energy that was purchased was the line loss. He explained that as the load on a line increased, the friction increased as well, which meant higher line loss. For example, a load of 70 megawatts would bring about 8 percent line loss. He explained that line loss could be prevented by essentially splitting the load into another line. Overall, reducing friction on a line reduced the line loss.

Representative Tomaszewski understood that the line loss in a direct current (DC) cable would be less than line loss in the alternating current (AC) lines that were currently operating.

[11:00:51 AM](#)

TRAVIS MILLION, COO, GOLDEN VALLEY ELECTRIC, responded that line loss was typically lower for DC lines than AC lines. He agreed that line loss was generated based on the friction and heat generated within the line. If a line was pushed to its maximum rating, the heat and line loss would increase. If a load was split between two lines, the maximum load would be cut in half and less heat and friction would be generated. Line loss would be considerably reduced by implementing a redundant second line.

Representative Stapp noted that there was a possibility that nuclear power could be coming to Eielson Air Force Base at some point. He asked Mr. Burns to speak about the potential for nuclear power and the future of the Railbelt.

Mr. Burns replied that GVE was open to every possibility. He deferred the question to Mr. Million because he had firsthand knowledge of nuclear power. He asked Mr. Million to speak about nuclear opportunities.

Mr. Million shared that GVE had not seriously began to consider nuclear since he came on board. He agreed that GVE was open to any options that would reduce costs and increase reliability for members. He had personally looked into micro nuclear reactors and had testified before the

legislature on micro modular reactor legislation. He was particularly intrigued by nuclear power and the opportunities it presented.

[11:03:59 AM](#)

Representative Hannan remarked that she was from an area with many small investor-owned utilities which were excluded from the IPP incentives in both SB 217 and HB 307. She asked if it would be a problem if there was a language change to include co-ops and municipal utilities to the incentives.

Mr. Burns responded that he would encourage the change if it was in the best interest of the rate payers. The bottom line was the cost of energy to rate payers.

Mr. Burns concluded that he appreciated the committee's time and attention to a complicated topic. Although the railbelt utilities sometimes disagreed, the utilities all prioritized the best interests of ratepayers. He asked the committee to embrace the opportunity for the future.

[11:07:11 AM](#)

Co-Chair Foster OPENED public testimony.

[11:07:38 AM](#)

KEN HUCKEBA, SELF, WASILLA (via teleconference), relayed that he had operated nuclear power plants, co-gen facilities, and lived under IPP rules and contracts. He commented that there had been focus on the trip to Iceland, but he wanted to highlight that Iceland had an income tax rate of 46 percent and a sales tax of 24 percent. He noted that IPPs were for profit entities. He explained that treasurers reporting on co-ops always talked about the rate increases, which were driven by revenues. He did not think IPPs would help the state operate and maintain the state system. He thought that if tariffs were to be restructured, there should be caveats to the change. For example, if Bradley were to provide 100 percent reliable power, it should not be subject to wheeling rates at all. Some IPPs had as low as 11 percent capacity factors, and he thought IPPs should be responsible for offering a similar capacity as a coal plant or hydro plant. He argued that it would be

disingenuous to offer anything less to ratepayers. He thought IPPs should be charged for the necessary upgrades.

Mr. Huckaba added that from his experience working on turbines rebuilds, gas turbines suffered a heavy operation and maintenance added load. He thought IPPs should be paying for the added load because of gas turbine treaties. The IPP transformers and load suffered less wear and tear from the heat cycling. He did not think more plants needed to be built. He added that he also had extensive experience on high voltage transmission lines and he heard about the concerning inductive losses. He stressed that the losses were inductive and not related to friction.

Mr. Huckaba relayed that one of his concerns was how much money would leave the state and not be recirculated. Additionally, he was concerned about the state relying on credits and worried that the state would force its co-ops. He thought any force in a representative republic was negative. He remarked that Bradley had extraordinarily good generation and he did not like that Bradley was being used as an excuse to support renewables. He thought that any utilities that had anything less than 100 percent capacity should incur a surcharge in order to utilize the state's system to sell power for profit to other states.

Mr. Huckaba remarked that he liked the idea that the state should build a dam or coal plant instead of letting the for-profit renewables come into the state and send energy out of the state. He thought the Iceland trip was not comparable to the situation in Alaska because Iceland had much higher tax rates. He argued that profits going out of state was not good for Alaska.

[11:14:30 AM](#)

MIKE JONES, SELF, HOMER (via teleconference), was in opposition to HB 307. He thought the process should move slowly. The property tax break was being touted as important, but he did not agree. He argued that it was not a tax break, but the burden fell on people with lower incomes who were paying property taxes. The overall costs would decrease, but the borough that provided the property tax break would experience increased costs. He did not think the process made sense. He noted that he would provide additional testimony in writing after the meeting. He thought that one of the flaws with intermittent

renewable energy was the involvement of special interest groups. He did not think that special interest groups provided a market competitive solution and used "lawfare" to block renewable energies like hydro and made renewable energies more expensive.

Co-Chair Foster asked if Mr. Jones was speaking specifically to HB 307 or to other legislation.

Mr. Jones relayed that he was also speaking to HB 328.

Co-Chair Foster suggested that Mr. Jones submit his testimony in writing after the meeting.

[11:18:47 AM](#)

Co-Chair Foster set an amendment deadline for Thursday, May 2, at 12:00 p.m.

[11:19:59 AM](#)

AT EASE

[11:20:14 AM](#)

RECONVENED

Co-Chair Foster CLOSED public testimony on HB 307.

Co-Chair Foster noted that one more testifier had joined online.

Co-Chair Foster OPENED public testimony on HB 307.

[11:21:22 AM](#)

AT EASE

[11:22:04 AM](#)

RECONVENED

[11:22:27 AM](#)

KASSIE ANDREWS, SELF, ANCHORAGE (via teleconference), testified in opposition to HB 307. She argued that the bill was a subsidy on top of a subsidy. She thought local utilities should provide cost effectiveness and reliability and she did not think socialism should be part of the system. There was a reason for the tariffs and the fees to enter onto the grid. She understood that the state's legacy

generation would pay for the inefficiencies of the wind and solar IPPs. She argued that central planning groups would become uninterested in the investments in firm power, which would result in the collapse of co-ops. The IPPs would not be held accountable for shortfalls. She urged the committee not to pass the legislation.

Co-Chair Foster CLOSED public testimony.

Co-Chair Foster restated the amendment deadline.

HB 307 was HEARD and HELD in committee for further consideration.

[11:24:46 AM](#)

#hb122

HOUSE BILL NO. 122

"An Act authorizing the Alaska Railroad Corporation to issue revenue bonds to finance the replacement of the Alaska Railroad Corporation's passenger dock and related terminal facility in Seward, Alaska; and providing for an effective date."

Co-Chair Foster explained that he planned to adjourn the meeting and return soon to begin the committee's meeting that was scheduled for 10:00 a.m.

[11:25:23 AM](#)

Representative Tomaszewski offered a brief recap of HB 122. He explained that the bill would enable the Alaska Railroad Corporation (ARC) to secure financing for its passenger dock in Seward. The infrastructure was crumbling, and the bill would increase the size and scope of the passenger ships, which would increase tourism and create jobs.

[11:26:32 AM](#)

ZACH YOUNG, STAFF, REPRESENTATIVE FRANK TOMASZEWSKI, noted that there were two new additions to the bill in the House Transportation Committee. The most notable addition was a \$58 million bond authorization for the Port Mackenzie Railroad extension. He relayed that ARC stated that the project in total would cost between \$275 million and \$300 million. There had been a previous bed of gravel laid in

the area, but it was not near completion and the \$58 million infusion would fund the initial phase. He noted that the Alaska Industrial Development and Export Authority (AIDEA) portion of the bill would be \$300 million in funding for non-specific infrastructure projects involving critical minerals or rare earth metals.

Co-Chair Foster noted that his intent was to get into the specifics of the bill when the committee began its next meeting.

Representative Josephson asked Representative Tomaszewski if he would be satisfied if the bill were to be signed in its original form.

Representative Tomaszewski responded in the affirmative and thought it would be beneficial to the economic development of the state.

HB 122 was HEARD and HELD in committee for further consideration.

[11:28:32 AM](#)

Co-Chair Foster reiterated that his intent was to adjourn the 9:00 a.m. meeting and return later by gaveling in to the 10:00 a.m. meeting.

#

ADJOURNMENT

[11:29:51 AM](#)

The meeting was adjourned at 11:29 a.m.