

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

March 8, 2024

1:08 p.m.

MEMBERS PRESENT

Representative Tom McKay, Chair

Representative Kevin McCabe

Representative Dan Saddler

Representative Donna Mears

MEMBERS ABSENT

Representative George Rauscher, Vice Chair

Representative Thomas Baker

Representative Stanley Wright

Representative Jennie Armstrong

Representative Maxine Dibert

COMMITTEE CALENDAR

HOUSE BILL NO. 359

"An Act relating to the permanent fund dividend and a one-time permanent fund dividend payment and land voucher; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 387

"An Act relating to a tax credit for certain oil and gas equipment in the Cook Inlet sedimentary basin; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 349

"An Act relating to leases of public land for renewable energy projects; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 388

"An Act relating to state loans for oil and gas projects in the Cook Inlet sedimentary basin; relating to the

Alaska Energy Authority; relating to the Alaska Industrial Development and Export Authority; and providing for an effective date."

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: HB 359

SHORT TITLE: ONE-TIME PFD PAYMENT

SPONSOR(s): REPRESENTATIVE(s) CRONK

02/20/24	(H)	READ THE FIRST TIME - REFERRALS
02/20/24	(H)	RES, FIN
03/01/24	(H)	RES AT 1:00 PM BARNES 124
03/01/24	(H)	Heard & Held
03/01/24	(H)	MINUTE(RES)
03/08/24	(H)	RES AT 1:00 PM BARNES 124

BILL: HB 387

SHORT TITLE: OIL & GAS TAX CREDIT: JACK-UP RIG

SPONSOR(s): RESOURCES

02/26/24	(H)	READ THE FIRST TIME - REFERRALS
02/26/24	(H)	RES, FIN
03/06/24	(H)	RES AT 1:00 PM BARNES 124
03/06/24	(H)	Heard & Held
03/06/24	(H)	MINUTE(RES)
03/08/24	(H)	RES AT 1:00 PM BARNES 124

BILL: HB 349

SHORT TITLE: RENEWABLE ENERGY PROJECT LEASES

SPONSOR(s): GROH

02/20/24	(H)	READ THE FIRST TIME - REFERRALS
02/20/24	(H)	RES, ENE, FIN
03/08/24	(H)	RES AT 1:00 PM BARNES 124

WITNESS REGISTER

JAMES SQUYRES, representing self
Deltana, Alaska

POSITION STATEMENT: Testified in opposition to HB 359.

REPRESENTATIVE MIKE CRONK

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, gave introductory remarks and answered questions on HB 359.

DAVE STANCLIFF, Staff
Representative Mike Cronk
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions on HB 359, on behalf of Representative Cronk, prime sponsor.

REPRESENTATIVE CLIFF GROH
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, introduced HB 349 and co-presented a PowerPoint presentation.

CAMERON EBERSBOLD, Staff
Representative Cliff Groh
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Co-presented a PowerPoint presentation on HB 349 on behalf of Representative Groh, prime sponsor.

CHRISTY COLLES, Director
Division of Mining, Land, and Water
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Answered questions regarding HB 349.

MATTHEW PERKINS, CEO
Alaska Renewables
Fairbanks, Alaska

POSITION STATEMENT: Addressed concerns and answered questions about renewable energy in Alaska during the hearing on HB 349.

ACTION NARRATIVE

[1:08:42 PM](#)

CHAIR MCKAY called the House Resources Standing Committee meeting to order at 1:08 p.m. Representatives Mears,

McCabe, Saddler, and McKay were present at the call to order.

HB 359-ONE-TIME PFD PAYMENT

1:09:49 PM

CHAIR MCKAY announced that the first order of business would be HOUSE BILL NO. 359, "An Act relating to the permanent fund dividend and a one-time permanent fund dividend payment and land voucher; and providing for an effective date."

1:10:09 PM

CHAIR MCKAY opened public testimony on HB 359.

1:10:31 PM

JAMES SQUYRES, representing self, opined that the bill is poorly thought out and needs to be sent back to the drawing board. He compared the outcome of the bill's provisions to a game of musical chairs where the last participant will be left out, and future generations are penalized. He discussed market value, prorations, the earnings reserve, dedicated funds, and statutory requirements.

1:13:27 PM

CHAIR MCKAY, after ascertaining that no one else wished to testify, closed testimony on HB 359.

1:14:30 PM

REPRESENTATIVE MIKE CRONK, Alaska State Legislature, as prime sponsor, expressed appreciation for the questions and the testimony on HB 359.

1:15:00 PM

DAVE STANCLIFF, Staff, Representative Mike Cronk, Alaska State Legislature, on behalf of Representative Cronk, prime sponsor, explained that the sponsor and staff were working with Legislative Legal Services and the House

Resources Standing Committee on a number of issues such as appropriations, remainder dividends, felons and relocators, questions regarding Pick Click Give, jury lists, eligibility for other programs, minors, and "incapacitated" [individuals]. The sponsor and staff were in discussion regarding people who come to Alaska for a year and leave with a "wallet full of money." The distribution could be over three or five years. He referred to the work of Cody Rice in the Speaker's Office and explained that Mr. Rice would be presenting to the committee regarding the possibilities for metrics such as a three-year or five-year distribution and the amount. Questions regarding the land credit are being considered. He said these matters would be thoroughly discussed before the bill comes before the committee again.

[1:16:26 PM](#)

REPRESENTATIVE SADDLER referred to Section 3, lines 5-8, on page 2 of the bill and asked whether a person would have to apply for a dividend every year after 2026 to maintain their residency.

[1:17:08 PM](#)

MR. STANCLIFF acknowledged that was one of the issues they are dealing with. He gave the example of a person who cashed out, taking the dividend over a three- or five-year period, and how that person would have to re-apply for the dividend each year. He said it will be necessary to resolve questions about programs that springboard off the dividend language and dividend statistics.

[1:17:54 PM](#)

REPRESENTATIVE MEARS pointed out that constituents are raising many questions and requested that Legislative Legal Services be on the line at future hearings to answer those concerns.

[1:18:29 PM](#)

REPRESENTATIVE CRONK stated that all questions and comments are valuable and said his office will be working to address those concerns.

[1:18:55 PM](#)

CHAIR MCKAY announced that HB 359 would be held over.

HB 387-OIL & GAS TAX CREDIT: JACK-UP RIG

[1:19:05 PM](#)

CHAIR MCKAY announced that the next order of business would be HOUSE BILL NO. 387, "An Act relating to a tax credit for certain oil and gas equipment in the Cook Inlet sedimentary basin; and providing for an effective date."

[1:19:19 PM](#)

CHAIR MCKAY opened public testimony on HB 387. After ascertaining there was no one who wished to testify, he closed public testimony.

[1:19:54 PM](#)

CHAIR MCKAY announced HB 387 would be held over.

HB 349-RENEWABLE ENERGY PROJECT LEASES

[1:19:59 PM](#)

CHAIR MCKAY announced that the final order of business would be HOUSE BILL NO. 349, "An Act relating to leases of public land for renewable energy projects; and providing for an effective date."

[1:20:17 PM](#)

The committee took an at-ease from 1:20 p.m. to 1:24 p.m.

[1:24:10 PM](#)

REPRESENTATIVE CLIFF GROH, Alaska State Legislature, as prime sponsor, explained the purpose of the bill was to create more energy options for Alaska and aid investors to bring more energy to Alaskans. It would create standards for leasing of state land for renewable energy projects, creating the same framework as for oil and gas projects.

In this way, there would be a level playing field for investors. The state needs energy of all types including oil and gas and renewables. He explained that Governor Dunlevy has stated that Alaska needs a uniform framework for all types of energy.

1:26:00 PM

CAMERON EBERSBOLD, Staff, Representative Cliff Groh, Alaska State Legislature, on behalf of Representative Groh, prime sponsor, introduced the PowerPoint presentation on HB 349 [hard copy included in the committee packet], entitled, "HOUSE BILL 349, Leasing State Land for Renewable Energy Projects, Representative Cliff Groh, HD 18."

REPRESENTATIVE GROH brought attention to slide 2, which read as follows [original punctuation provided]:

CURRENT PROBLEM

- Alaska has a looming energy shortage
- Alaska is largely dependent on a single energy source
- We need to encourage all types of energy development in our state
- Renewable Energy projects are held to different standards, discouraging investment
- Each project must be handled on a case-by-case basis by the state

REPRESENTATIVE GROH reiterated and expanded on the points summarized on slide 2, pointing out that renewable energy is an additive approach. Currently, renewable energy projects are handled differently than oil and gas projects. The case-by-case basis discourages investors, he said.

1:26:53 PM

MR. EBERSBOLD moved to slide 3, the sectional analysis for HB 349, which read as follows [original punctuation provided]:

Section 1: AS 38.05.075(a) states the commissioner of the department of natural

resources may, after a public auction or sealed bid, enter the State into a lease agreement when they have demonstrated there is a competitive interest in the land and it is in state's best interest. This section adds AS 38.05.084 to this list of statutes that contain exceptions to this.

Section 2: Amends AS 38.05 to add a new section 38.05.084, which:

(a) Enables the commissioner of natural resources to lease state land for renewable energy projects.

(b) Requires a person seeking this lease to submit an application to the department including the specifics of the parcel of land they are seeking to lease, a detailed summary of the proposal for the how the land will be used, and additional information and requirements established by department regulations.

(c) Requires the department to solicit competitive interest by issuing public notice.

(d) Creates requirements for the department to act if there are multiple applications for the same piece of land.

(e) Creates an initial lease term of 10 years to determine feasibility and research. Following this 10-year period, the lease is valid for the duration of commercial production of the renewable energy project. 20 years after commercial production begins and at 10-year intervals after, the commissioner may renegotiate the rentals and royalties due on the renewable energy project lease.

(f) Requires the lessee to make progress toward developing or maintenance of the leased land to meet the renewable energy project purpose. The commissioner may terminate the lease if

(1) The leased land is not being used for the energy project,

(2) The lessee fails to meet the requirements of the lease.

(g) Specifies that the lessee is not entitled to a preference right to purchase the leased land.

(h) States that compensation for the lease:

- (1) Shall maximize return to the state,
- (2) Shall be separately accounted for,
- (3) May be appropriated by the legislature
 - (i) States that the AS 38.05.070 and 38.05.095 concerning subleasing apply in this section.
 - (j) Requires the director, before entering into the lease, to
 - (1) Evaluate information received during the solicitation of the competitive bid and
 - (2) Find whether the proposal is in the best interest of the state, including
 - (A) Reasonably foreseeable effects on the state or local economy, including other resource utilization,
 - (B) Anticipated revenue to the state from the lease,
 - (C) Assessment of known mineral potential, Page 2
 - (D) Potential monetary value to the state including other revenue to the state,
 - (E) A summary of public comments received.
 - (k) If practical, requires state land leased for a renewable energy project to remain open for
 - (1) access to hunting, fishing and other allowed public uses,
 - (2) resource development, including mining.
 - (l) So long as it does not interfere with the renewable project, the state land must remain open to mineral exploration and development.
 - (m) By February 1st of each year, the commissioner must prepare a report on lease agreements entered into and transmit that report to each body of the legislature. The report must contain
 - (1) The number of leases
 - (2) A complete list of lease information including
 - (A) General description of the location of the lease;
 - (B) The date the lease was executed;
 - (C) Identity of each person on the lease;
 - (D) A summary of the project;
 - (E) Current status of the project;

(F) A summary of the compensation for the lease and an explanation of how that amount was determined;

(G) The identity of each individual having an ownership interest in an entity on the lease;

(3) A complete list of leases that expired or were terminated during the current or preceding fiscal year; and

(4) A description of the cumulative revenue received by the state from leases in the current year and previous year, and anticipated revenue in the next fiscal year.

(n) The commission shall conduct research to identify state land suitable for renewable projects.

Section 3: Adds AS 38.05.084 to the exceptions for lessee preference.

Section 4: Amends AS 38.05.945(a) to include the new section of 38.05.84(c) in requiring notice to be given by the department for the solicitation of competitive interest.

Section 5: Amends uncodified law to so the sections of AS 38.05.075(a), AS 38.05.084(b), AS 38.05.102 and AS 38.05.945(a) amended by the bill apply to leases on or after the effective date.

Section 6: Provides for an immediate effective date.

[1:31:33 PM](#)

REPRESENTATIVE MCCABE referred to the sectional analysis and asked for clarification regarding the words "if practical" [in Section 2, subsection (k)].

REPRESENTATIVE GROH referred the question to Christy Colles.

[1:32:44 PM](#)

CHRISTY COLLES, Director, Division of Mining, Land, and Water, Department of Natural Resources (DNR), responded with an example of the land around a wind tower possibly needing to be closed to public use.

REPRESENTATIVE GROH added that the language would allow a variety of uses that could be compatible on the same land.

1:34:10 PM

REPRESENTATIVE MCCABE followed up with a question about slide 1, which read that Alaska is largely dependent on a single source of energy. He asked what type of energy is being referenced.

REPRESENTATIVE GROH responded that it was oil and gas.

REPRESENTATIVE MCCABE questioned whether coal or biomass or other types of energy were included.

REPRESENTATIVE GROH reiterated that oil and gas have been heavily used in Alaska for a long time but explained that Alaska would need energy of all types, including renewable energy ("renewables"), to deal with the energy problems.

REPRESENTATIVE MCCABE asked for a definition of renewables.

REPRESENTATIVE GROH responded that there is a current definition in Title 42, Public Utilities and Carriers and Energy Programs. However, an amendment to the bill would more completely define renewable energy resources under Title 38, Public Lands.

REPRESENTATIVE MCCABE asked whether hydroelectric power is considered one of the "single energy sources" or whether it is a renewable.

REPRESENTATIVE GROH explained that under Title 42 [AS 42.45.045 (2)(A)], hydroelectric is referred to as a renewable energy source and it would be included under the new law.

1:36:58 PM

REPRESENTATIVE SADDLER asked Ms. Colles whether the proposed legislation would create a level playing field for renewables compared to oil and gas and whether the leasing agreements would, in fact, be equitable.

MS. COLLES responded that she had not done a full analysis yet. Notwithstanding that, she remarked that an initial look seems to show that oil and gas licenses apparently provide more "tools in their toolbox" for exploration.

[1:38:17 PM](#)

REPRESENTATIVE SADDLER referenced a 10-year period for renewable energy investors to do research and feasibility studies and questioned whether oil and gas explorations were given the same allowances. He also pointed to a provision in the bill where in issuing the renewables lease, the commissioner would evaluate some specific details about the project which may not be available at the "front end of the lease." He suggested it was not a feasible provision.

[1:39:38 PM](#)

REPRESENTATIVE GROH finished his presentation with slide 5, "HB 349: An "All-Of-The Above" Approach To Energy," which read as follows [original punctuation provided]:

- Statutory certainty is attractive to private investment
- More players in the market means more energy and lower rates
- A uniform policy environment for renewables and extractives enables market to allocate state land to most productive type of energy

REPRESENTATIVE GROH explained that this legislation would help move to a more stable framework for energy development.

[1:40:54 PM](#)

MR. EBERSBOLD addressed questions from Representative Saddler regarding the time requirements, explaining that the goal was to identify sections of statutes elsewhere

that specified requirements and tried to replicate or find applicable parallel structure for parity.

[1:41:45 PM](#)

REPRESENTATIVE SADDLER asked what "parity" means in this instance.

[1:41:50 PM](#)

REPRESENTATIVE GROH responded that it would be a set of statutes that would create an equal playing field to oil and gas leasing on state lands. Currently, DNR makes decisions for renewables applications on a case-by-case basis when they get applications for leases for a new energy project. The legislation would create a more predictable framework, a structure under which investors could operate and feel more confident in the leasing process.

[1:42:32 PM](#)

REPRESENTATIVE SADDLER expressed concern about lessees basically squatting on state lands for 10 years while thinking about developing a project. He referred to language in the bill which lacked the specificity to create sideboards for lessees. He additionally questioned whether the timelines equated to 10 years to think about the project and 20 years to lease the land after the project is developed.

REPRESENTATIVE GROH acknowledged that is a legitimate concern.

[1:44:03 PM](#)

MR. EBERSBOLD directed the committee's attention to Section 2, subsection (f) which outlines requirements the lessee would have to fulfil. If they do not make progress toward development or maintenance of the leased land, then the commissioner would be able to terminate the lease. This provision is similar to the oil and gas lease requirements.

[1:44:49 PM](#)

REPRESENTATIVE MCCABE inquired about Section 2, specifically the term "practical". He questioned what types of activities would be compatible with renewables, using the example of solar arrays. He then followed his earlier line of questions regarding hydroelectric as a renewable resource.

[1:46:04 PM](#)

REPRESENTATIVE GROH responded to the comments about hunting and what was taken into consideration during the development of the legislation. He explained the intent was to accommodate various uses, referring specifically to Representative McCabe's example of moose hunting near solar arrays.

[1:47:18 PM](#)

MR. EBERSBOLD returned to Representative McCabe's questions about hydroelectric power, explaining that weighing the pros and cons of a specific project and how it would interact with other uses would be better answered by DNR.

[1:47:54 PM](#)

MS. COLLES responded to Representative McCabe's question about generating hydroelectric power on leased state land. She referred to factors that needed to be weighed when making a decision regarding specific projects such as public use, traditional use, and area use. All projects are evaluated and go through a rigorous public process and agency review before a decision is made. She pointed out that those decisions are appealable.

[1:48:36 PM](#)

REPRESENTATIVE MCCABE commented that it was not clear in the proposed legislation whether hydro would be considered a renewable. Returning to the subject of solar energy, he expressed concern regarding whether Lower 48 solar companies would take farming land. He referred to best use practices and the need to retain farming land for food

security. He suggested the best use concept needed to be more specifically defined under the proposed legislation.

[1:50:24 PM](#)

MR. EBERSBOLD described how best use would be considered in the application process. The availability of farmland or other practical purposes is very much part of the intent of HB 349.

[1:51:12 PM](#)

REPRESENTATIVE MEARS commented that energy is a high priority and pointed out that the committee has looked at a number of bills that free up state land for a variety of purposes. She referenced work being done in the Lower 48 exploring types of compatibility with agriculture and solar farms.

[1:51:59 PM](#)

CHAIR MCKAY questioned the steps required in starting a solar or wind farm. He then referenced how oil and gas royalties go into the Alaska Permanent Fund and inquired whether any part of the revenue stream of a wind or solar farm would go into the fund.

[1:53:09 PM](#)

REPRESENTATIVE GROH responded that the state does get revenues from renewable energy through corporate income taxes.

[1:53:43 PM](#)

MR. EBERSBOLD explained his understanding of the section of the Constitution of the State of Alaska that applies to the fund which specifies royalties from mineral leases. He pointed out that wind and solar energy would not fall under the category of mineral leases.

[1:54:13 PM](#)

CHAIR MCKAY commented that wind and solar would not apparently contribute to the fund. He then inquired about

how much employment a solar farm would provide after it is up and running.

[1:55:01 PM](#)

REPRESENTATIVE GROH said there would be construction jobs and operating jobs. He observed that there were a lot more people who built the Trans-Alaska Pipeline than those who operate it.

CHAIR MCKAY stated that Alaska does not have hazardous disposal plants and that solar panels contain toxic substances as do parts of wind towers and storage batteries. He asked what happens to that equipment when it wears out, who is going to pay for it, and whether someone would be bonded so the public is protected from worn out equipment being discarded and toxic materials getting into the water and air.

REPRESENTATIVE GROH acknowledged Chair McKay's concerns and said he would like to work with him on these issues.

[1:58:01 PM](#)

REPRESENTATIVE SADDLER expressed interest in the genesis of HB 349, particularly the leasing requirements. He asked whether any renewable projects have been denied under the current statutes.

REPRESENTATIVE GROH responded that as a legislator, he has been interested in doing what he could to help promote energy development and economic activity in Alaska.

[1:59:06 PM](#)

MS. COLLES said the Division of Mining, Land, and Water ("the division") can currently issue authorizations for renewable projects. She pointed out there are a number of wind farms in Alaska on state land that were authorized under the current leasing plan. However, some companies do not feel they can invest in Alaska until the process provides more surety as they are doing research on a specific piece of land.

[2:00:27 PM](#)

REPRESENTATIVE GROH noted that the oil and gas industry has a procedure called "DR&R," which stands for "dismantle, remove, and restore," and the renewables would have a similar process.

[2:01:14 PM](#)

REPRESENTATIVE SADDLER restated his earlier question about whether any renewable project tried to lease state land and was subsequently denied under current rules and procedures outlined by state law.

[2:01:41 PM](#)

MS. COLLES was unaware of any company being denied a lease based on the framework they were looking for.

[2:01:57 PM](#)

REPRESENTATIVE SADDLER directed the same question to the sponsor of the bill, asking Representative Groh whether he was aware of any company being denied a lease based on the current statute.

[2:02:08 PM](#)

REPRESENTATIVE GROH responded that he was not aware of a lease being denied under these circumstances. He deferred this question to Mr. Perkins of Alaska Renewables.

[2:02:57 PM](#)

MATTHEW PERKINS, CEO, Alaska Renewables, responded to Representative Saddler's question, explaining that under the current process his company has not been denied the entry authorizations and subsequent leases for three separate assets they are pursuing with the department. He noted that they were still in the process of working with Director Colles and her team.

[2:04:03 PM](#)

REPRESENTATIVE GROH explained that Mr. Perkins is the CEO of a company that is developing Little Mount Susitna and

Shovel Creek wind projects and is working on a third. He asked Mr. Perkins for his thoughts regarding HB 349.

2:04:47 PM

MR. PERKINS provided some background regarding Alaska Renewables. He explained that his company is an Alaska based powerplant developer working with three of the four Railbelt utilities to solve the energy security crisis. The team has a background in coal, gas, solar, wind, and energy storage over the past two decades. They are specifically focused on what the capital market will finance today according to three tenets: reliability, constructability, and competitiveness. Alaska Renewables is working with companies to engineer, finance and construct the cheapest, most reliable power possible. He referred to a recent Anchorage Daily News article regarding an analysis by Chugach Electricity and third-party engineers which showed that one of their projects, the Little Mount Susitna Wind Farm, would have provided twenty percent of South Central's energy needs during the recent cold snap crisis. He explained that one of the criticisms regarding renewables is the investment structure is entirely different from oil and gas investment. He encouraged the committee to focus less on comparing these technologies.

2:06:59 PM

MR. PERKINS echoed the comments of Representative Groh that regulatory certainty is critical for prudent financial investing. He emphasized that the product his company sells is an anti-volatility product. The upfront cost is known. In addition, remediation and reclamation is already in state statute that the leasehold must be restored to a good and marketable condition within less than a year after termination of the lease. Wind turbine blades are highly recyclable, and one company is making cement from recycled turbine blades although this is not currently available in Alaska.

MR. PERKINS recommended language that allows a feasibility lease to transfer a little more quickly to generation of electricity. A ten-year period for research is unnecessarily long. Regarding the topic of royalties, he

pointed out that electricity is not a product that is exported out of Alaska. One hundred percent of the power goes to not-for-profit electric cooperatives, so the financial metric is to provide the lowest power cost possible to Alaskans in addition to providing energy security. Lastly, he explained that Alaska Renewables already competitively bids for state assets, so the state can make the best decision about the use of land. He further emphasized the emerging business models that combine agriculture on wind farms and agrivoltaics which combine agriculture and solar energy generation. Finally, an earlier effective date than that proposed under the current bill would be advisable.

2:11:01 PM

CHAIR MCKAY announced that HB 349 was held over.

2:12:06 PM

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:12 p.m.