

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

April 1, 2024

2:22 p.m.

**MEMBERS PRESENT**

Representative Tom McKay, Chair  
Representative George Rauscher, Vice Chair  
Representative Thomas Baker  
Representative Kevin McCabe  
Representative Dan Saddler  
Representative Stanley Wright  
Representative Jennie Armstrong  
Representative Donna Mears

**MEMBERS ABSENT**

Representative Maxine Dibert

**COMMITTEE CALENDAR**

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. 394

"An Act relating to the Regulatory Commission of Alaska and regulation of the service of natural gas storage and liquefied natural gas import facilities; relating to records of the Regulatory Commission of Alaska; relating to rates established by the Regulatory Commission of Alaska; and providing for an effective date."

- BILL HEARING RESCHEDULED TO 04/03/24

HOUSE BILL NO. 393

"An Act relating to oil and gas leases and royalty shares; and providing for an effective date."

- BILL HEARING RESCHEDULED TO 04/03/24

**PREVIOUS COMMITTEE ACTION**

BILL: HB 349

SHORT TITLE: RENEWABLE ENERGY PROJECT LEASES  
SPONSOR(s): REPRESENTATIVE(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
03/08/24	(H)	Heard & Held
03/08/24	(H)	MINUTE(RES)
03/11/24	(H)	RES AT 1:00 PM BARNES 124
03/11/24	(H)	Heard & Held
03/11/24	(H)	MINUTE(RES)
03/22/24	(H)	RES AT 1:00 PM BARNES 124
03/22/24	(H)	<Bill Hearing Canceled>
03/25/24	(H)	RES AT 1:00 PM BARNES 124
03/25/24	(H)	<Bill Hearing Rescheduled to 03/27/24>
03/27/24	(H)	RES AT 1:00 PM BARNES 124
03/27/24	(H)	Scheduled but Not Heard
04/01/24	(H)	RES AT 1:00 PM BARNES 124

#### WITNESS REGISTER

REPRESENTATIVE CLIFF GROH  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, introduced the proposed committee substitute for HB 349, Version R.

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

**POSITION STATEMENT:** Presented the sectional analysis for HB 349, Version R, on behalf of Representative Groh, prime sponsor.

KRIS HESS, Deputy Director  
Division of Mining, Land, and Water  
Department of Natural Resources  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions regarding the feasibility study and land lease processes for renewable energy projects during the hearing on HB 349, Version R.

#### ACTION NARRATIVE

[2:22:19 PM](#)

**CHAIR TOM MCKAY** called the House Resources Standing Committee meeting to order at 2:22 p.m. Representatives Saddler, Wright, Baker, Rauscher, McCabe, Armstrong, Mears, and McKay were present at the call to order.

**HB 349-RENEWABLE ENERGY PROJECT LEASES**

[2:23:27 PM](#)

CHAIR MCKAY announced the only 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."

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CHAIR MCKAY explained that the bill was sponsored by Representative Groh. This was the third reading of HB 349 in the House Resources Standing Committee.

[2:24:00 PM](#)

REPRESENTATIVE RAUSCHER moved to adopt a proposed committee substitute (CS) for HB 349, Version 33-LS1325\R, Bullard, 3/26/24, as the working document. There being no objection, Version R was before the committee.

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CHAIR MCKAY explained that the bill sponsor, Representative Groh, would like to present a new sectional analysis for Version R rather than a summary of changes, as Version R represented a significant overhaul of the original version of the bill.

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REPRESENTATIVE SADDLER asked for clarification regarding what version of the bill was addressed by the sectional analysis and whether it was a proposed CS for HB 349.

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REPRESENTATIVE CLIFF GROH, Alaska State Legislature, as prime sponsor, introduced the sectional analysis for Version R of HB 349 [included in the committee packet]. He explained that he and his staff had worked with the Department of Natural Resources (DNR) on the proposed CS to HB 349, Version R, and his staff would explain the changes.

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CAMERON EBERSOL, Staff, Representative Cliff Groh, Alaska State Legislature, presented the sectional analysis for Version R on behalf of Representative Groh, prime sponsor. He explained that the intent of the bill has not changed and remains as a means of creating parity in how the state addresses and handles different energy projects. In working with DNR, the bill sponsor found a better model for how to accomplish parity. The new model is based on a section of statutes that exists for oil and gas licensing and leases which had work commitments included in the license application process as well as long-term conditions for transitioning into leases. He explained that the first three sections were conforming changes. Beginning with Section 4, he presented the Sectional Analysis [included in the committee packet] which read as follows [original punctuation provided]:

Section. 4. Enacts four new sections of the Alaska Statutes under Chapter 05. Alaska Land Act: AS 38.05.091 - 094, which creates a licensing and leasing structure for renewable energy projects on State-owned land analogous to the process found in AS 38.05.131- 134, Oil and Gas Exploration Licenses; Leases.

AS 38.05.091 Applicability; determination; regulations. Provides the provisions and authorities for the Department to offer feasibility licenses. It requires the Commissioner to research and make preliminary written determinations of the state land that may be subject to the provisions of AS 38.05.092 and that those determinations will be given public notice. It provides the Commissioner with the authority to adopt necessary regulations to implement licensing and sets the maximum acreage any licensee may hold at any time.

AS 38.05.092 Feasibility licenses for renewable energy projects. The DNR Commissioner may issue feasibility licenses to encourage energy production on State-owned land. These licenses give the licensee the exclusive right to explore the surface estate on state land and evaluate that land's potential for a renewable energy project. The term of this license cannot exceed 10 years. A feasibility license must be conditioned on an obligation to perform a specified work commitment and make progress on this work commitment by certain intervals during the life of the license, post of bond or other security, and be subject to

annual review. The Commissioner may terminate the license early if the licensee has not made sufficient progress on their work commitment. It provides the option to convert the license for all or part of the land into a lease of State-owned land for a renewable energy project upon fulfillment of the work requirements contained in the feasibility license. This option of the licensee does not apply if the lease is terminated. The land and water included within an area subject to a feasibility license must, to the extent practicable, remain open to the public for hunting, fishing, and other generally allowed uses, and to mineral exploration and development.

AS 38.05.093. License procedures. This section contains the procedures to issue a feasibility license. The process may be initiated by either the Commissioner or an interested party issuing a proposal describing a specific piece of land and project. If the Commissioner initiates the licensing process, they shall publish notice of the Commissioner's proposal in order to solicit comments and competing proposals. Within 30 days after receiving a proposal, the Commissioner shall either reject the proposal in a written decision or give public notice of the intent to evaluate the acceptability of the proposal. The Commissioner shall solicit comments on the proposal for which public notice is given, and they shall request competing proposals. The Commissioner must issue a written finding, including any modifications to the proposal necessary to make the license conform to the best interests of the state. This section also contains provisions for soliciting a competitive bid in the event of multiple interested parties.

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MR. EBERSOL explained that the last section, AS 38.05.094, outlines how the license converts into a lease at the end of the license term. The rest of the sections are conforming changes and add a definition of "renewable energy project" and provide an effective date.

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The committee took a brief at-ease at 2:32 p.m.

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CHAIR MCKAY requested that Representative Groh and Mr. Ebersol explain the title change.

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MR. EBERSOL explained that there were no references to licenses in the previous version of the bill. The revised title addressed the changes in the new version, including the licensing into leasing procedure which was similar to the oil and gas procedures.

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REPRESENTATIVE SADDLER referred to page 6, line 28 [Section 38.05.092, subsection (c)(1)] and questioned the feasibility of a license for renewables to cover a half million acres. He acknowledged the reasons for similar large acreages for oil and gas development leases but questioned why a renewables energy project would need 500,000 acres.

MR. EBERSOL explained that the language regarding acreage was taken directly from the language for oil and gas leasing. He said the cost of a lease is based on the number of acres, and whoever enters an agreement with the state would be weighing the pros and cons of how many acres they would want to license for exploring. He pointed out that land leases for feasibility studies might encompass larger acreages than the eventual lease which would be paired down based on where it would make sense to put wind turbines, for example. At the present time, mirroring the oil and gas language makes sense, but in time that might change.

REPRESENTATIVE SADDLER asked what the acreage might be for a typical renewable energy facility.

MR. EBERSOL responded that it would depend on the type of project because different projects would vary in size.

REPRESENTATIVE SADDLER requested examples of sizes of various projects such as wind and solar.

MR. EBERSOL explained that the largest renewable energy project in the state occupied less than 10,000 acres but he offered to follow up with more information for Representative Saddler.

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REPRESENTATIVE MEARS described her experience of traveling through areas in the Lower 48 which had vast numbers of wind turbines. She said the size option for wind projects was important because evaluations would not only include wind direction and speed but would also need to take transmission into account. A larger swath of land would be beneficial for evaluating a project's economics and feasibility before a project was put in place.

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REPRESENTATIVE BAKER asked what the benchmarks for progress would be over a ten-year lease which would ensure the proposed work had been done.

[2:40:07 PM](#)

MR. EBERSOL requested clarification of Representative Baker's question and whether he was asking how the department would evaluate the project's progress or how progress is being measured.

REPRESENTATIVE BAKER clarified his question concerning how a company would evaluate whether a piece of land was the right spot for a specific renewable and what the benchmarks would be in determining whether that land would work for the proposed project.

MR. EBERSOL answered that the basic definition of "work commitment" in the oil and gas process is expressed in dollar amounts, namely what work would be done in the process of determining the viability of a project. For example, in oil and gas, that might be a seismic study. For instance, in two years and again in four years, the work commitment should show that the money has been spent as proposed. The state could then use that information in its assessment.

REPRESENTATIVE BAKER followed-up by describing various projects that had been put in place in Kotzebue as well as some proposed projects. He explained that the city leases land to the local co-op for diesel, solar, and wind power. Studies have been proposed for other areas around the community to determine the feasibility of additional projects for consistent power production. He inquired about the benchmarks for projects on state lands such as solar and wind, and whether they were clearly laid out.

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REPRESENTATIVE GROH referred his question to Deputy Director Hess of DNR.

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KRIS HESS, Deputy Director, Division of Mining, Land, and Water, Department of Natural Resources, explained the renewable energy lease process. The applicant for a feasibility study would line out how the process would be advanced for specific projects, what studies would be conducted, and how much money would be spent over the course of the study. The applicant would have up to ten years to complete a feasibility study. The department would assess whether the proposed goals were being met, would ascertain whether the work at the location was proceeding as planned, and would determine the level of completion. In this way, the department would determine whether the applicant was meeting the components of the requirements.

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CHAIR MCKAY requested clarification of the 10-year limit for a feasibility study, commenting that 10 years seemed like a long time.

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MS. HESS agreed that 10 years was a long time to complete a feasibility study but reminded the committee it was based on the oil and gas feasibility study structure. A study of that length would not necessarily be authorized by DNR, but the department wanted the flexibility to determine whether the selected location was feasible for the project based on the information the applicants provided, the type of project, and estimations regarding how long it would take.

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CHAIR MCKAY asked whether the Shovel Creek project near Fairbanks is on state land.

MS. HESS responded in the affirmative.

CHAIR MCKAY inquired whether Shovel Creek needed this legislation in order to proceed.



MS. HESS explained Shovel Creek did not need this authorization and that HB 349 was for larger acreages than the Shovel Creek project.

CHAIR MCKAY asked how many acres the proposed Shovel Creek wind farm was and whether there were regulations in place.

MS. HESS responded that it was less than 640 acres, that there were regulations in place for Shovel Creek, and that it was a leased area. She pointed out that the proposed legislation was for acquiring a license during the exploration phase of a project. If a company determined that their project was feasible, then they would propose converting it to a lease.

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REPRESENTATIVE RAUSCHER asked whether a project such as the Susitna Dam would qualify under the acreage limit.

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MS. HESS described the process of a feasibility study for the proposed Eklutna project. If HB 349 passed, the legislation would provide a framework for such a feasibility study on state land. If it were determined to be feasible, then it would be converted to a lease.

REPRESENTATIVE RAUSCHER redirected the conversation to the Susitna-Watana project.

MS. HESS explained that the Susitna has already been evaluated, so it would not need the proposed legislation in order to move forward. There are other complications with the project that are preventing it from moving forward.

REPRESENTATIVE RAUSCHER questioned whether another project the size of Watana would be covered under the legislation.

MS. HESS replied that a project needing that type of acreage would be covered under the legislation.

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REPRESENTATIVE SADDLER asked whether there are limitations on the number of leases any one party could obtain through this bill.

MS. HESS responded if an applicant came forward with a project and they wanted to do a feasibility study, they could hold licenses only for a maximum of 2 million acres. She gave scenarios of several acreage combinations.

REPRESENTATIVE SADDLER asked whether current state laws or regulations preclude leasing state lands for renewable energy projects.

MS. HESS responded there was nothing at the time that prevented DNR from leasing state land for renewable projects. However, there was a limit in the number of acres they could authorize because a lease is considered "a disposable" and the leaseholder usually gets exclusive use of that acreage, and it would not be open to multiple use. The limitations include a maximum of 640 acres. She said the proposed legislation would keep options open for multiple use.

REPRESENTATIVE SADDLER questioned whether there are places in Alaska where state land is subject to feasibility leases with a 10-year window.

MS. HESS explained that authorizations of feasibility licensing for exploration were limited to oil and gas exploration. The Division of Mining, Land, and Water did not have authority to do exploration licensing. They were limited to leasing land for renewable projects that were under 640 acres. Larger renewable projects would require legislative approval.

REPRESENTATIVE SADDLER asked Ms. Hess what she saw as the effect of HB 349, [Version R].

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MS. HESS responded that DNR had been approached by several companies who were interested in developing renewable projects on larger acreage, but the department needed the ability to do a feasibility study on state land in order to determine whether that land would be conducive for their projects. Exploration licensing for large renewable projects was not available at that time.

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CHAIR MCKAY announced that HB 349, Version R, was held over.

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**ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:59 p.m.