

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

January 28, 2025

1:03 p.m.

MEMBERS PRESENT

Representative Ky Holland, Co-Chair
Representative Donna Mears, Co-Chair
Representative Bryce Edgmon
Representative Chuck Kopp
Representative George Rauscher
Representative Mia Costello

MEMBERS ABSENT

Representative Cathy Tilton

OTHER LEGISLATORS PRESENT

Representative Justin Ruffridge

COMMITTEE CALENDAR

OVERVIEW(S): Southcentral Mayors Energy Coalition

HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

PETER MICCICHE, Mayor
Kenai Peninsula Borough
Soldotna, Alaska

POSITION STATEMENT: Presented during the Southcentral Mayors Energy Coalition overview.

SUZANNE LAFRANCE, Mayor
City of Anchorage
Anchorage, Alaska

POSITION STATEMENT: Presented during the Southcentral Mayors Energy Coalition overview.

ACTION NARRATIVE

1:03:44 PM

CO-CHAIR DONNA MEARS called the House Special Committee on Energy meeting to order at 1:03 p.m. Representatives Costello, Raucher, Kopp, Edgmon, Holland, and Mears were present at the call to order. Representative Ruffridge was also present.

OVERVIEW(S): Southcentral Mayors Energy Coalition

1:05:35 PM

CO-CHAIR MEARS announced that the first order of business would be the Southcentral Mayors Energy Coalition overview.

1:06:03 PM

PETER MICCICHE, Mayor, Kenai Peninsula Borough, showed a PowerPoint, titled "Cook Inlet Energy Overview," during the Southcentral Mayors Energy Coalition presentation [hard copy included in the committee packet]. He briefly described the work of the coalition and moved to slide 2, which described the agenda as follows [original punctuation provided]:

- Coalition Intro and Overview of the Committee Charge
- Projected Southcentral Energy Shortfall - Background
- Summary of Cook Inlet Energy Projects
- Possible Energy Outlook with New Projects
- North Slope Gas and Imported LNG
- Takeaways

MAYOR MICCICHE moved to slides 3 and 4 which listed the Southcentral mayors involved in the task force as well as the coalition's technical committee. He commented that "a challenge to energy in the Railbelt is a challenge to commerce in Alaska" and showed slide 5, titled "Committee Charge," which read as follows [original punctuation provided]:

Goals

- Understand the nature and potential solutions to the projected Cook Inlet natural gas/energy shortfall
- Advocate for affordable solutions that will keep the lights and heat on

Methodology - Invite sponsors of existing and proposed energy and infrastructure projects to present to the Mayors and Technical Committee. Discuss with sponsors:

- Timeframe for project to come online
- Financial backing
- Projected cost of power or natural gas
- Energy output
- Roadblocks
- Areas where advocacy by the Mayors could help facilitate the project

MAYOR MICCICHE moved to slide 6, titled "Why is There a Natural Gas Shortfall," which read as follows [original punctuation provided]:

- The major Cook Inlet gas discoveries were discovered in the late 1950's and 1960's while looking for oil.
- Large field sizes with small local market supported industrial users (fertilizer and LNG plants).
 - For decades, the market was oversupplied - new discoveries would not have a customer
 - No significant discoveries/new developments in recent years
 - fields are depleting - Over 12 trillion cubic feet produced**
- USGS estimates 19 trillion cubic feet (TCF) of "technical recoverable" natural gas remains.* However:
 - Technically recoverable does not = economically recoverable
 - ~ 5 TCF from unconventional reservoirs which have never been commercially produced in Cook Inlet region
 - Challenging permitting, regulatory environment
 - Small local market
 - Difficult geology
 - Risk reward profile not competitive in the portfolios of the large oil and gas companies
- Exploration and development of known resources still ongoing by a few smaller companies.
 - Has potential to defer, but not eliminate projected natural gas shortfall
 - Timing is key

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MAYOR MICCICHE responded to a question from Representative Mears concerning density of development, geographic closeness of

wells, and declining support services. He explained that the cost of delivery to Cook Inlet or the North Slope is more expensive, so the density of the product becomes more important than it is in other places.

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MAYOR MICCICHE responded to a question from Representative Raucher regarding the Kenai agrium plant and explained that the plant's viability depends on the available volume and the price. He explained the previous footprint could be used and that there was potential for hydrogen and ammonia production. He moved to slide 7, titled "Cook Inlet Gas - ADNR Current Forecast," which read as follows [original punctuation provided]:

DOG Cook Inlet gas forecast as presented to the Alaska Legislature, Spring 2024

- Assumes continued drilling by Hilcorp
- Does not include known but undeveloped projects
- Truncated to reflect field economics but does not assume market response or price changes

MAYOR MICCICHE explained that the graph on the slide showed current use of 70 billion cubic feet (Bcf) of gas a year (BCFY) with the top section of the chart showing the annual Bcf required for oil and gas production as well as the annual Bcf for heating and power generation. He explained that that the chart showed gas production and use over time and pointed out the challenges represented by the falling production over time. He showed slide 8 titled, "Power Projects Reviewed," and explained that the Southcentral Mayors' Energy Coalition had reviewed a number of power production projects including hydro, geothermal, wind, solar, and micro-nuclear. He said that most of the projects were at a stopping point because they don't have a commitment from a utility with the exception of Solstice Energy's Puppy Dog Lake Solar in Nikiski. He added that Alaska Marine Power Cook Inlet Wind Farm would be a world class wind resource but that they are planning a hydrogen project rather than an electrical generation project.

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CO-CHAIR MEARS pointed out that much of the problem solving would occur with producers and utilities, but the legislature could help create a regulatory environment that would nudge some of these projects along.

MAYOR MICCICHE responded to a question by Representative Holland regarding future uncertainty of projects, how some are waiting for firm commitments, and how the legislature could take action and support action. He explained that although many of the projects being discussed are viable, provide jobs, and provide energy diversity, some will drop off. He explained there are agencies whose job it is to lean on the utilities, but he did not see it as governments' role. He pointed out that people rely on the legislature for reliable information and Alaskans have to be bold, so they don't end up sitting in the cold and dark.

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MAYOR MICCICHE, in response to a question from Representative Raucher about whether renewable energy will be able to fill the gap, pointed out that hydro is a renewable and that the Bradley Lake Dixon diversion is a good project. He also explained that some renewables are more economical than others and some depend on subsidies. In addition, if the Alaska Gasline Development Corporation (AGDC) were to move forward with a project, many of the other projects would face challenging times.

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REPRESENTATIVE KOPP discussed the Cook Inlet Basin and the livelihood that it has brought to the area for 70 to 80 years. He pointed out how Cook Inlet as an energy producing basin is in demise and the gas the area needs is more likely to be provided by AGDG. In addition, there are pending requests by the Alaska Energy Authority for the legislature to fund projects with the quickest return, the lowest cost, and the affordability of energy. He explained that dual fuel sources need to be considered and not solely be locked into liquified natural gas (LNG). He characterized this as a "watershed moment" for the Cook Inlet Region being an energy producing basin.

MAYOR MICCICHE responded by explaining that the mayor's coalition agrees it should support local production first and the legislature should support the companies that are still producing energy in Cook Inlet. In-state gas production is a priority after local production. He emphasized that the price of energy continues to stunt potential commercial growth in Southcentral and the state of Alaska going forward. He reminded the committee of when Southcentral residents had to turn the heat down because of energy shortages. He said, "Hats off to

Hilcorp," whose investment in the last decade has been beneficial to the area. He pointed out that Blue Crest is having difficulty getting funding, that Hex/Furie has significant reserves, and the legislature has royalty issues to consider.

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MAYOR MICCICHE responded to a question from Representative Costello regarding permitting challenges and delays, explaining that the state is doing better in being caught up on permitting. He pointed out that permits in federal waters have had different constraints and referenced the possibility of "the Beluga challenge." He moved to slide 10, titled "A Gas Forecast and Demand with new Cook Inlet Projects, Actual will be Different," which read as follows [original punctuation provided]:

- Base production is DNR forecast Includes future Hilcorp drilling
- Assumes Kenai Gas field storage capacity commercially available
- All production above the black demand line is stored and used in future years
- Undeveloped Projects
 - Low side new natural gas developments (240 BCF) starting 2025. Based on DNR forecast for known undeveloped gas
 - Shovel Creek Wind - 75MW to Southcentral 2028
 - Little Susitna Wind - 120 MW 2029
 - Terra Energy Center coal/biomass power plant - 400 MW 2030
 - Augustine Geothermal - 200MW 2030
 - Bradley Lake Dixon Diversion - 60MW 2030
 - Puppy Dog Solar - 30MW 2028

Conditions precedent for new projects make it unlikely that all projects will meet the dates/capacities listed above.

MAYOR MICCICHE showed Slide 10, which included a graph titled "Cook Inlet Production and Demand," showing the Bcf of gas used per year over time from 2024 to 2041.

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MAYOR MICCICHE responded to a question by Representative Mears, explaining that the information compiled on the chart was publicly available data. Referring to the chart, he explained

that by 2038 or 2039 it would be difficult to keep up with the needs of space heating and the industrial use of gas, even if all the listed projects were successful. He said he was demonstrating the "improbability of us being okay" and that "we're not okay."

He showed slide 11 titled "North Slope Gas" which read as follows [original punctuation provided]:

- AGDC pursuing initial phase serving domestic power generation and space heating
- \$10.8B estimate for scaled back project with 42" pipeline
- Delivered price to utilities estimated to be in the \$11-\$13/MMBTU
- Large pipe provides the option for large scale LNG exports - could significantly lower consumer gas price

- In discussion with a large pipeline company to complete FEED
 - \$50M effort supported by State of Alaska
 - Option for potential State investment

- Recent announcement: Glenfarne Group partnering with the AGDC to move project forward
- Success case - first gas in 2031

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MAYOR MICCICHE moved to the slide 12 titled "Imported LNG Option" which read as follows [original punctuation provided]:

- Technology for importing LNG well understood
 - Floating storage regasification unit (FSRU) "Excelerate-type project"
 - Onshore regasification with largely existing infrastructure

- Gas Storage bill passed in 2024 provides for Hilcorp to store 3rd party gas in part of the Kenai Gas Field
 - Hilcorp permitting 50 BCF third party storage*
 - significant upside (200-500 BCF) for additional storage
 - CINGSA gas storage 11 BCF. Expanding to 13 BCF
 - Gas storage a key element in managing gas supply, for LNG imports, and meeting peak gas demand in the winter

- Pricing
 - Will change up or down: 2024 Asian market LNG price \$11 - \$16/MCF2
 - Kitimat (British Columbia) coming on stream 2025 - potential for less expensive LNG
- Timing depends on negotiating LNG supply contract and permitting, construction timeframe
- Importing LNG has the potential to address the near-term gas shortfall - CEA/Enstar evaluating

MAYOR MICCICHE moved to slide 13, titled "Takeaways," which read as follows [original punctuation provided]:

- Exploration potential may be large, but the Cook Inlet basin is not attracting significant exploration investment
- Reducing/eliminating the need for natural gas for power generation does not solve the longterm natural gas shortfall for heating
 - Renewables will need backup source for high demand, low output periods
- North Slope gas a possibility
 - Timing (earliest 2031) does not meet anticipated near-term supply gap
 - Negotiations with potential partner promising
- LNG imports an option that provides certainty of supply in near term, variability in volume and could be phased out if other, more price competitive solutions materialize
- Unless a strategy (likely with multiple components) is selected and affirmatively pursued, a significant gas shortfall is all but guaranteed

MAYOR MICCICHE pointed out that waiting is not a strategy because a quick decision would not solve the need for advance planning time, financing, and permitting.

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MAYOR MICCICHE responded to a question by Representative Holland regarding population loss and the Southcentral economy by explaining that even if the likely energy projects were successful, there still would be a gas problem without a natural gas solution. He pointed out it would take boldness and vision to move beyond the outmigration problem. He stated that where

there are growing needs, renewables pick up the excess, and there is a steady supply of gas to meet the demand.

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MAYOR MICCICHE responded to a question from Representative Raucher regarding whether purchasing gas from overseas would discourage exploration of Alaskan resources. He explained there would be a continued need for all local production possible. He emphasized that North Slope gas must be monetized, and if the long gasline doesn't prove to be economical, other forms of transport would work. Prices could be competitive depending on delivery and infrastructure.

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MAYOR MICCICHE responded to several questions from Representative Holland, describing the importance of being bold, picking a path forward, doing the homework, reducing the risk wherever possible, and doing what needs to be done. Regarding the role of the Regulatory Commission of Alaska (RCA), he explained that none of the projects work if the weight is too heavy on the rate payers, and the utilities take this seriously. He addressed the issue of oil and gas royalties and the potential trade-off, explaining that the higher the rate, the less activity will occur. He questioned how much less activity the state can stand and still remain viable, pointing out that would be a decision for the legislature to make.

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MAYOR MICCICHE responded to a question from Representative Edgmon regarding the work of the coalition and what action the committee should consider. He emphasized supporting the utilities as they make difficult decisions. He reminded the committee that the Cook Inlet Recovery Act did not reward people for production, it rewarded them for existence. He explained that the City of Fairbanks would be joining the coalition.

REPRESENTATIVE EDGMON pointed out that what is good for Southcentral is good for the state as a whole.

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REPRESENTATIVE KOPP observed that, for the first time in Alaska's history, the Railbelt has woken up to the cost of energy for rural Alaskans. Rural Alaska, including Fairbanks,

has dealt with these issues every single day. The cost of energy has made it nearly impossible for many families and communities to continue. He expressed his belief that the state would unify and pull together for solutions.

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The committee took an at-ease from 2:06 p.m. to 2:11 p.m.

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SUZANNE LAFRANCE, Mayor, City of Anchorage, began her portion of the Southcentral Mayors Energy Coalition overview by explaining that she would be reviewing concerns and opportunities around Southcentral's energy security. In addition, she planned to explain what she is asking for from lawmakers as well as what Anchorage is currently doing to support those requests. She pointed out that declining production of natural gas in Cook Inlet is a tremendous concern and that gas shortages during severe cold snaps are a real threat to public safety in a winter city like Anchorage, and the possibility of importing gas comes with a price tag. As a municipality, Anchorage has limited influence over permitting, regulation, or financial incentives for Cook Inlet users, but residents look to the city government for solutions. Recent hurricane force winds in Southcentral were a great reminder regarding the importance of effective emergency management, especially for a crisis that shuts off heat and power. She stated that energy security is a major priority, and the municipality is determined to be "the best stewards we can of our municipal footprint and to advocate for meaningful solutions." She pointed out that progress will be a result of partnership with utilities, the private sector, and state government.

MAYOR LAFRANCE explained what the municipality is advocating, explaining that energy experts, producers, utilities, labor organizations, the Southcentral Mayors Coalition, and other stakeholders had identified the most effective projects which would give "the most bang for the buck." Referring to her notes, the mayor outlined the four most critical projects as follows:

1. Fund Railbelt transmission upgrades in the capital budget to take full advantage of federal match funds. Transmission upgrades would reduce bottlenecks in the Railbelt grid to clear a path for new sources of

generation to be brought online, strengthening the power supply.

2. Build hydroelectric power production including the Dixon Diversion to expand Bradley Lake, creating a new source of ready power independent of the natural gas supply.

3. Fund weatherization, energy efficiencies, and electrification programs through state entities like Alaska Energy Authority (AEA) and Alaska Housing Finance Corporation (AHFC). These efficiencies would be a win-win, making infrastructure more resilient and paying for themselves through cost savings.

4 Incentivize and increase natural gas production in Cook Inlet. Well designed and targeted mechanisms would help producers keep the pipelines full. In addition, the Anchorage municipality would support the type of stable energy a natural gas pipeline could provide

MAYOR LAFRANCE referred to her notes and described several energy projects underway in the Anchorage municipality as follows:

1. The Anchorage Water and Wastewater Utility (AWWU) uses gravity flow to provide water to homes and businesses of 80 percent of the city. The flow of water also turns turbines which produce electricity that power some of AWWU's operations. In a partnership, AWWU provides water for Chugach Electric's cooling plant 2A along the Glenn Highway. The benefit is a "double whammy" because warmer water in the system means it takes less energy to produce hot water at the tap while the plant improves from improved efficiency of the turbine that the cooling provides. This unique partnership has earned national awards.

2. The Eklutna Hydroelectric Project at Eklutna Lake provides 40-megawatts (MW) of power to the Railbelt Grid. In a new phase of the project, pump-storage hydro would use renewable power to pump water back into the lake, restoring the river while maintaining or even increasing power production.

3. A plan which would convert waste to energy at the Anchorage landfill could add 30 MW of clean power to the grid, offsetting natural gas, reducing methane emissions, increasing the lifespan of the landfill, and reducing toxic runoff. This would build on the existing landfill gas-to-energy project which burns methane from the landfill to produce power at Joint Base Elmendorf-Richardson base (JBER).

MAYOR LAFRANCE pointed out that the team of dedicated energy experts at the municipality of Anchorage have worked hard to reduce waste, improve efficiency, and harness innovation as concerns about energy security grow. They look to partnerships with communities statewide to face these shared challenges. As concerns about energy security grow, it becomes increasingly important for Alaskans to work together to leverage assets as effectively as possible to make the best use of limited resources.

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MAYOR LAFRANCE responded to a question by Representative Holland regarding possible gas shortages and how a community might prepare for that. She reiterated the municipality's concern about the lack of energy security not only in Anchorage but also throughout the state. She emphasized the need for access to reliable and affordable power for lighting and heat. There are short term and long-term actions that can be taken. Short term actions include exploring ways to reduce consumption, bolstering the appropriate use of solar, and supporting the needs of local utilities. Longer term actions would include the waste to energy project and other projects.

MAYOR LAFRANCE responded to a question about Launch Alaska and potential energy innovations by pointing out that there are tremendous entrepreneurial opportunities which could improve Anchorage's economy as well as the state's economy.

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MAYOR LAFRANCE responded to a question from Representative Costello about the level of awareness of Anchorage residents concerning energy issues and how awareness could be improved. She explained that usually it has not been a "top of mind issue" but that the municipal offices would address community awareness as part of the energy strategy.

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CO-CHAIR MEARS discussed how synergy can help solve energy problems, citing the turbines of the AWWU project, the waste energy plant, the chemicals used in fire suppression, and landfill space, taking into consideration that the waste from commercial sources is about 70 percent compared to 30 percent from residential. She encouraged the mayors to connect with their residents regarding energy services and encourage them to use conservation methods to reduce short term energy bills, giving more time in the long term for converting to electricity where necessary and preserving natural gas for heating as long as possible.

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REPRESENTATIVE KOPP discussed the challenges of the regional utilities, some of which have dual energy options and some which have been committed to only one solution. He inquired whether utilities could work together after recognizing the energy shortage as evidenced by the municipality's rolling brownouts.

MAYOR LAFRANCE explained that there have been ongoing conversations resulting in more collaboration between the utilities despite their protectiveness at the regional level.

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REPRESENTATIVE KOPP directed a question to Mayor Micciche concerning the Thirty-Third Alaska State Legislature's effort to encourage utility companies to share risk, share power, coordinate, and even share costs. He asked whether that was coalescing or were the utilities pulling hard in different directions.

MAYOR MICCICHE explained that the utility companies seemed to be moving in a better direction. He pointed out a half dozen utility companies serve the Kenai in an area the size of a mid-sized city in the Lower 48, and in the past they had been pretty protective. Spinning reserves had consumed a lot of natural gas with one unit producing, and then "you just keep on spinning in case you have problems with the primary unit." With continued encouragement, there would be more improvement. He characterized the natural gas situation as a wake-up call, explaining that duplication and waste would no longer be an option and coordinating resources would become more critical.

REPRESENTATIVE KOPP pointed out that under scenarios described to the committee, the larger energy projects would probably not be producing until 2031. He asked the mayors what the solution would be since this is a current problem, emphasizing the importance of Cook Inlet gas to help bridge the problem

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MAYOR MICCICHE described the importance of energy conservation and how it should be practiced every day. He pointed to the increased use and significance of renewable energy production in the Railbelt but how it would not be enough in the short term. He explained that importing LNG would be the most viable short-term option especially considering existing infrastructure could be used.

MAYOR LAFRANCE expressed her hope that the LNG project could be expedited because the risk is so high and the priority to act is great.

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CO-CHAIR HOLLAND pointed out that the Railbelt economy has been stagnant, so the economics for companies to produce more energy has not been attractive. He asked first what role the state should be playing in helping the local municipalities spur economic development making the area more attractive for development. He discussed the "Choose Anchorage" plan and the state's economic development strategy which would stimulate businesses, diversify the economy, invest in emerging sectors, and grow the economy. He asked what specifics would change the narrative and the focus to change the economy.

MAYOR LAFRANCE explained that growth would come from ensuring stable, basic services, including pensions for public employees, having a fully staffed police department, addressing homelessness, funding schools, and ensuring affordable housing. Focusing on those core services would be key to growing the economy and to thrive.

MAYOR MICCICHE agreed with Mayor LaFrance's assessment. He explained that challenges to drawing people to Alaska are the quality of education, the availability of housing, and the cost of healthcare. He emphasized that when the state shifts costs to the municipalities, it negatively impacts their ability to thrive.

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MAYOR MICCHE responded to a question by Representative Edgmon concerning community assistance by explaining that it has allowed the power of volunteerism which results in exponential value. For example, he cited volunteers in museums, libraries, and firefighting. In areas without a significant tax base, it makes those places more survivable and draws people who can solve problems. Minimal investments such as community assistance are required for communities to grow.

MAYOR LAFRANCE noted that state funding once made up a large part of the Anchorage municipality's budget. In 1985 community assistance from the state to local governments was \$41 million, and in 2024 it was about \$30 million. Without those funds, costs have shifted to taxpayers. Support from the state would make positive changes not only in the larger municipalities but also in the remote communities.

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ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 2:51 p.m.