

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

February 13, 2025

1:33 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

COMMITTEE CALENDAR

PRESENTATION(S) : AEA PROGRESS UPDATE

- HEARD

OVERVIEW: RENEWABLE ENERGY FUND~ ROUND 17

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

CURTIS THAYER, Executive Director
Alaska Energy Authority
Anchorage, Alaska

POSITION STATEMENT: Co-presented the PowerPoint, titled "Alaska Energy Authority, AEA Progress Update" and answered questions during the overview of the Renewable Energy Fund.

CONNER ERICKSON, Planning Director
Alaska Energy Authority
Anchorage, Alaska

POSITION STATEMENT: Co-presented the PowerPoint, titled "Alaska Energy Authority, AEA Progress Update" and gave an overview of the Renewable Energy Fund.

ACTION NARRATIVE

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CO-CHAIR MEARS called the House Special Committee on Energy meeting to order at 1:33 p.m. Representatives Edgmon, Kopp, Rauscher, Costello, Holland, and Mears were present at the call to order.

PRESENTATION(S): AEA Progress Update

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CO-CHAIR MEARS announced that the first order of business would be a continuation from the January 23, 2025, update by the Alaska Energy Authority.

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CURTIS THAYER, Executive Director, Alaska Energy Authority (AEA), presented a PowerPoint, titled "Alaska Energy Authority, AEA Progress Update" [hard copy included in the committee packet]. He began on slide 3, titled "Renewable Energy and Energy Efficiency Programs" and pointed out the list of public outreach programs, which included working groups on electric vehicles, solar energy, and wind energy. He pointed out the focus of various types of renewable energy, such as biomass, energy storage, heat recovery, and others, as listed on the slide. He discussed the possibility of nuclear energy in rural Alaska.

MR. THAYER moved to slide 4 and discussed the federal funding allocation of \$74 million. He stated that these funds are for home energy and appliance rebates. He stated that AEA has been working in conjunction with the Alaska Housing Authority to modify a program for distribution of these funds, with no state match required. He discussed the status of these funds, as they have been placed on pause by the current federal administration. He noted that this award was conditional, and a contract has not been signed. He moved to slide 5, titled "Solar for All." He pointed out that these federal funds are designated for solar projects in disadvantaged communities, but these funds have also been put on hold by the current federal administration. He noted that no match is required to receive this grant. He moved to slide 6, titled the "Grid Resilience Formula Grant Program." He stated that this is formula-based funding, requiring a 15

percent state match and a 33 percent small utility match. He noted that this funding has also been put on hold by the current federal administration.

MR. THAYER moved to slide 7, titled "Black Rapids Training Site (BRTS) Defense Community Infrastructure Pilot Program." He noted that AEA has partnered with the Golden Valley Electric Cooperative (GVEA), and the grant was awarded to GVEA to extend the transmission line 34 miles along the Richardson Highway to BRTS. He explained that three diesel generators that are nearing the end of their useful lives power BRTS, and the training grounds facility would be closed without this update. He noted that this has not been affected by the federal funding freeze, and no state match is required. He noted that the slide on the National Electric Vehicle Infrastructure (NEVI) program has been removed, as this funding has been suspended.

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MR. THAYER, in response to a question from Representative Rauscher, stated that the GVEA transmission line would go out of Delta Junction for 34 miles to the training center. He expressed uncertainty concerning how far out of Delta Junction towards Fairbanks the line would extend.

MR. THAYER, in response to a question from Co-Chair Holland concerning the funding for the new High-Voltage Direct Current (HVDC) line, stated that this funding was \$206 million from a federal grant. He noted that the state matched the funds and AEA appropriated bonds to the project; however, this project has also been paused by the federal government. He discussed the nuances concerning this grant, as there is a signed grant agreement, with some money reimbursed. He stated that the project is currently moving forward using state and AEA funding.

MR. THAYER, in response to a follow-up question concerning the restructuring of AEA's bond authority, explained the bond issue with the Bradley Lake Hydroelectric Project. He pointed out that the project is moving forward, and the financing is being matched with federal funding for the next two years. He noted that state bonds are not being used, so the interest from these bonds would go back into the project, while the utilities would be reimbursing AEA based on the reduced cost of power.

MR. THAYER, in response to a question from Co-Chair Mears, stated that AEA is allowed to retain the interest from bond money. He discussed the governor's budget regarding the

interest AEA would be able to retain for projects. He also noted that AEA would be able to retain certain federal tax credits, as written into the governor's budget. He pointed out that normally these tax credits would go back to the state. He expressed the opinion that when AEA retains tax credits, ratepayers would see the benefit.

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CONNER ERICKSON, Planning Director, Alaska Energy Authority, co-presented the PowerPoint, titled "Alaska Energy Authority, AEA Progress Update." On slide 9, he discussed AEA's new electronic library. He explained that the library creates more transparency for the workings of AEA. He noted that it was established in 2023 with the funds from AEA and the Denali Commission. He pointed out that there has been public interest in the library, as it now has over 14,000 available documents. He discussed the cost savings and the availability of older documents.

MR. ERICKSON, in response to a question from Representative Edgmon concerning the Susitna-Watana Hydroelectric Project documents, stated that he would follow up to the committee with the number of documents available. He said, "There are definitely a plethora of documents related to Su-Wa," as the library is a "one-stop" shop for AEA documentation.

REPRESENTATIVE EDGMON expressed the understanding that this is probably the largest collection of documents related to this one project.

MR. ERICKSON moved to slide 10 and discussed the Power Project Fund (PPF) loan program. He stated that it is a long-standing program, providing working capital, construction funding, preliminary design, and feasibility reconnaissance funding for many different types of energy projects, including both fossil fuel and renewable energy projects. He pointed out the number of current loans and the "healthy" balance of the program. He noted that the funding needs from the program would depend on the other sources of available funding.

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MR. THAYER, in response to a question from Co-Chair Holland, stated that AEA would not be requesting to recapitalize PPF, and he explained his understanding that borrowers would prefer to pay off their balances early.

MR. ERICKSON added that more borrowers are interested in the program, and the borrowed amounts have increased.

MR. THAYER gave the example that if a large loan request came through, the loan committee would be responsible for this, along with the board of directors. He explained that if the amount were over \$5 million, this loan would need to be approved by the legislature.

CO-CHAIR MEARS expressed the understanding that last year the projects were in abeyance, as there was not sufficient capital for loans. She questioned whether there is more interest in the program because it is being recapitalized.

MR. THAYER pointed out that now there is available funding, AEA would be actively advertising the program again. He pointed out on slide 11 the outstanding PFF loan program projects. The slide listed the interest rate, current balance, and initial balance of each project.

CO-CHAIR MEARS commented on the value of this program to the state and the necessity of keeping it funded.

MR. ERICKSON pointed out that since its inception the program has funded over 110 operational projects. He noted that these completed projects have resulted in the displacement of 100 million gallons of diesel per year.

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REPRESENTATIVE EDGMON expressed the understanding that the money going into the Renewable Energy Fund (REF) program would be for project development, and this would also be "feeding into the fledgling renewable energy industry." He opined that because the funding may be frozen, the program may not continue. He questioned the presenter's opinion on this.

MR. THAYER expressed agreement. He pointed out that the REF program has had more success than other programs, but project feasibility must be determined. He noted that the REF program is funding a large solar farm and two windfarms. He added that 85 percent of these projects go into rural Alaska. Pointing out some other examples, he reiterated that 100 million gallons of diesel has been displaced. He discussed the past and future funding of the REF program. He reiterated that the program across the state has been a "winner." In response to a follow-

up question, he discussed the program's synergy with the Alaska Housing Finance Corporation (AHFC) and its subsidiary green bank. He noted that AEA has created a new job for making loans with the green bank in rural Alaska.

CO-CHAIR HOLLAND commented that the REF program has grown independent power producers (IPPs) in adjunct with the utilities. In determining REF loans, he questioned whether the type of project would be considered, such as an IPP project or a public utility project.

MR. THAYER expressed the understanding that 90 percent of all IPPs received money from the REF program. He stated that this is the first step in determining whether a project is viable. He suggested that REF is fueling the success of IPPs in the state. In response to a follow-up question concerning the Emerging Technology Fund program being used as a tool, he pointed out that the program was ended because it was not considered viable. He expressed the opinion that new technologies are not needed; rather, the new technologies that exist need to be "put to work."

OVERVIEW: RENEWABLE ENERGY FUND, ROUND 17

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[The committee proceeded to the final order of business, which was an overview of the Renewable Energy Fund, Round 17.]

CONNER ERICKSON, Planning Director, Alaska Energy Authority (AEA), gave an overview of the Renewable Energy Fund (REF) program as a continuation of the AEA PowerPoint, titled "Alaska Energy Authority, AEA Progress Update" [hard copy included in the committee packet]. On slide 15, he discussed the Renewable Energy Fund Advisory Committee (REFAC). He stated that AEA works in close cooperation with REFAC for project funding recommendations and policy matters. He pointed out that four of the nine members of REFAC are legislators.

REPRESENTATIVE COSTELLO questioned the interface between the working groups listed on slide 6 and AEA. She questioned the creation of a nuclear energy working group.

CURTIS THAYER, Executive Director, Alaska Energy Authority (AEA), responded that the University of Alaska leads the effort on nuclear energy in the state, while AEA is only a part of this. He noted that currently working groups would only be

dealing with proven technology, and micronuclear energy has not been proven up to this point. He discussed the process between AEA and the working groups.

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MR. ERICKSON moved to slide 16 and discussed the REF grant program guidelines. He stated that these projects must incorporate renewable energy technologies. He pointed out that battery storage systems projects would be included because they would incorporate renewable energy. He stated that there is a carve out for natural gas projects but no applications for this have been submitted.

MR. THAYER, in response to a question from Representative Kopp, pointed out that state funds are used for the REF program; therefore, the program has no frozen federal funds.

MR. THAYER, in response to a question from Representative Edgmon, stated that when the REF program was setup, the 2010 energy policy had been maintained. He noted that the Alaska Energy Security Task Force has overseen the changes in renewable energy in rural Alaska, and this has ensured that the REF program was keeping up with new technologies.

REPRESENTATIVE EDGMON commented on the vast differences in the renewable energy industry that have occurred since 2010.

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MR. ERICKSON, continuing the overview, spoke about REF applicant eligibility. He stated that eligible applicants include electric utilities that hold a certificate of public convenience and necessity, independent power producers (IPPs), and local governments. He moved to slide 17 and pointed out the four stages of the REF program evaluation process, as follows: evaluation of the applicant, evaluation of the project, initial project ranking, and final project ranking. He pointed out that third-party contracts would conduct the cost-benefit ratio analyses, and the Department of Natural Resources would be consulted concerning land use issues. He stated that AEA would do the project ranking. He noted that matching funds would not be required, but this could earn points for an applicant. He pointed out that other criteria considered would be the community's cost of energy, project readiness, project sustainability, and public benefit.

MR. ERICKSON, in response to a request for examples, pointed out that the Egegik project was funded by the REF program. He noted that tidal projects score lower because of the nascent nature and feasibility of these. He stated that some recommendations from REFAC would be provided to applicants, adding that no projects are considered "bad," they are just ranked. In response to a follow-up question concerning risk factors or bias, he stated that risk tolerance is considered, but it would not be a final determining factor. He noted that the program has worked to guide the trajectory of the energy industry in the state, steering it from "the brink." He noted that the program took some risky projects early on, but these projects have become less risky with time. He gave examples of some of these projects.

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MR. ERICKSON moved to slide 18, which addressed the funding limits for REF Round 17. He noted that this is done on a project-by-project basis. He moved to slide 19, which compared REF capitalization for past fiscal years and the current proposed Round 17. He pointed out the per-year change in appropriations, and he thanked the committee for their efforts. On slide 20, he summarized the applications received for REF Round 17. He pointed out that not all nine energy regions of the state are represented, and he explained that AEA does not make recommendations on the applications. He noted the uptick in applications for battery system projects, along with solar, wind, and hydro projects. He pointed out that slide 21 showed a geographic distribution of Round 17 project recommendations.

MR. ERICKSON moved to slide 22 and slide 23, which showed the applicants for REF Round 17. He noted that the governor's budget has already funded some projects, while others would be sent to the legislature for funding decisions. He briefly described each project on the list.

MR. THAYER offered to provide a writeup to the committee on each of the scored applicants listed.

MR. ERICKSON, detailing the projects funded in the governor's budget, stated that the City of Pelican is applying for a relicensing project for an existing hydroelectric dam. If not funded, he said this community could be 100-percent reliant on a diesel generator. He pointed out that the Naknek Electric Association's project is one-half solar and one-half battery-operated. He noted that the community already has solar, so

this project has been proven. He pointed out that the Goat Lake Hydro project is a reconnaissance project, as there is already an existing dam facility in Southeast, and this project would add water to the dam. Moving to the next project listed, he pointed out the Nuvista Kwethluk wind and battery project, explaining its extensive problems. He stated that the project's goal would be to use the existing wind turbines. Next, he noted the battery project in Quinhagak, which would maximize the use of the wind turbines already there. He noted that the biomass heating system project for the City of Nenana is in its final phase.

MR. ERICKSON, going through the list of projects that need funding from the legislature, discussed the Kongiganak solar energy project.

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CO-CHAIR HOLLAND, concerning the projects that the legislature would be required to fund, requested an explanation of the community benefits for each project. He questioned how the chart should be read to understand the comparison of benefits for each project.

MR. ERICKSON responded that the order of projects on the list is not based on an incremental reduction of the benefits to each community. He stated that this is partly because the costs in rural communities are higher than in non-rural communities. He noted that these projects reflect the need of each community, as a community would submit an application per its need. He expressed the opinion that the leveraging of additional funding would need to be considered, as well as household energy costs in the community. For example, he explained that a community might not be displacing much fuel, while its general cost of energy is high; therefore, the benefit would be greater. In response to a follow-up question concerning analysis done on community savings, he stated that there is not a single answer to the question. He explained that the details of the project would provide a much greater view of how it would be ranked. He gave examples of this.

MR. ERICKSON moved to the next project on the list, which concerned a Railbelt wind diversification project. He stated that this is a feasibility project for three additional wind sites. He pointed out that there was an estimate of the gas displacement and energy production based on the preliminary design. Moving down the list, he stated that the Homer energy

recovery project is small. He noted that this would entail installing a turbine with a release valve within the city's municipal water system. He stated that this would be a test project.

CO-CHAIR MEARS noted that Homer Electric's natural gas contract is almost at its end, so this should be a key project.

MR. ERICKSON moved to the next project on the list, which involved the installation of electronic thermal stoves. He noted that there is an existing windfarm at Atmautluak, and the thermal stoves would access the excess wind energy during the peak of energy production. He stated that this would offset the usage of heating oil in this community. He stated that the Southeast Alaska Power Agency (SEAPA) has a project to install a third turbine for the peak load at its hydroelectric facility for the communities of Petersburg, Wrangell, Ketchikan, and Metlakatla.

MR. ERICKSON, in response to a question from Co-Chair Mears, expressed agreement that the SEAPA project would be helpful, as it would expand the use of heat pumps. He expressed agreement that this project would provide ancillary benefits.

MR. ERICKSON pointed out that the storage system project in Chevak would be a battery system attached to a windfarm that already exists. He pointed out that this would alleviate some of the diesel usage, and it would provide grid stability. He moved to the Knutson Creek hydro project, explaining that this would be a small project that is based on the needs of the commercial fishing industry. While the load would be in the summertime, he said that it would benefit the community all year. He stated that the Akiachak solar energy project would be an augmentation to existing solar energy there, and this would add to the community's capacity. He continued, stating that the Nome Joint Utility System has a project to install a solar farm alongside a preexisting wind project. He stated that this would provide stability during the summer when the wind power is lacking, allowing for a greater diesel fuel displacement.

MR. ERICKSON moved down the list to the Hunter Creek hydroelectric feasibility study project in the Matanuska-Susitna Valley. He stated that this would offset the consumption of natural gas in the Railbelt. He pointed out the Chignik hydroelectric power system project would increase hydro project for the City of Chignik. He noted that this would be a match to a project set to receive federal funding; however, the federal

funding has been put on pause. He pointed out that the final project on the list is a Kenai Peninsula solar project that would be selling power to Homer Electric. He noted that the final design and construction of this project needs completing. He moved to slide 24, which showed all projects that have been funded under the REF program.

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MR. ERICKSON, in response to a question from Representative Rauscher, clarified that there are 18 recommendations for REF Round 17. In response to a follow-up question, he clarified that the column labeled "HEC" refers to household energy costs. He stated that this represents a combination of electrical and heating costs for the residents in a community.

MR. ERICKSON stated slide 24 charts the equitable distribution of funds across the different regions of the state. He remarked that even though AEA looks to provide equitable funding, it is limited on its ability to make recommendations to applicants. He moved to slide 25, which shows the efficacy of the program in terms of implementation of renewable energy projects in the state. He suggested that the program has saved communities "hundreds of thousands of dollars" by replacing diesel.

CO-CHAIR MEARS commented that having unreliable power would create additional costs to communities. She suggested that there are other savings not included in these numbers.

MR. ERICKSON expressed agreement. He noted that combining technologies also creates savings to communities.

CO-CHAIR MEARS added that complementary technologies could take diesel power offline for days.

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CO-CHAIR HOLLAND questioned whether there are any preexisting reports on historical benefits of the different projects. He suggested that having these long-term results would help with future investments.

MR. ERICKSON responded that this information is available; however, it may not be in a format that is easy to comprehend. He stated that there is a list on AEA's website under the REF program of all the funded projects, and this includes the details of each of these projects. He added that there is an

impact analysis for the program, which attests to the success of the program.

MR. THAYER offered to provide this information to the committee.

CO-CHAIR MEARS expressed appreciation to the presenters and made closing comments.

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ADJOURNMENT

There being no further business before the committee, the House Energy Special Committee meeting was adjourned at 2:57 p.m.