

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ENERGY

April 1, 2025

1:04 p.m.

MEMBERS PRESENT

Representative Ky Holland, Co-Chair
Representative Donna Mears, Co-Chair
Representative Bryce Edgmon
Representative Cathy Tilton
Representative George Rauscher
Representative Mia Costello

MEMBERS ABSENT

Representative Chuck Kopp

OTHER MEMBERS PRESENT

Representative Zach Fields

COMMITTEE CALENDAR

HOUSE BILL NO. 153

"An Act relating to generation of electricity from renewable energy resources; relating to a renewable portfolio standard; relating to power cost equalization; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 153

SHORT TITLE: UTILITIES: RENEWABLE PORTFOLIO STANDARD

SPONSOR(S): REPRESENTATIVE(S) HOLLAND

03/24/25	(H)	READ THE FIRST TIME - REFERRALS
03/24/25	(H)	ENE, RES
03/26/25	(H)	FIN REFERRAL ADDED AFTER RES
04/01/25	(H)	ENE AT 1:00 PM GRUENBERG 120

WITNESS REGISTER

SHAINA KILCOYNE, Staff
Representative Ky Holland

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 153 and gave the sectional analysis on behalf of Representative Holland, prime sponsor.

TOM ATKINSON, General Manager and CEO
Kotzebue Electric Association
Kotzebue, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 153.

ERIN MCKITTRICK, Independent Energy Analyst
Seldovia, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 153.

ACTION NARRATIVE

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CO-CHAIR DONNA MEARS called the House Special Committee on Energy meeting to order at 1:04 p.m. Representatives Holland, Edgmon, Tilton, Rauscher, Costello, and Mears were present at the call to order. Also present was Representative Fields.

HB 153-UTILITIES: RENEWABLE PORTFOLIO STANDARD

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CO-CHAIR MEARS announced that the only order of business would be HOUSE BILL NO. 153, "An Act relating to generation of electricity from renewable energy resources; relating to a renewable portfolio standard; relating to power cost equalization; and providing for an effective date."

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CO-CHAIR HOLLAND, as prime sponsor, presented HB 153. He said the proposed legislation introduces a renewable portfolio policy standard designed to diversify the state's "electricity mix" and reduce long-term costs while creating new opportunity. It would apply only to the Railbelt grid, which he noted [brings power to] over 75 percent of Alaskans while providing benefits to rural communities by controlling or reducing future Railbelt energy costs and providing a revenue stream for power cost equalization (PCE) utilities to sell credits that he emphasized would not reduce PCE benefits. Co-Chair Holland outlined that

HB 153 would not shut down natural gas, eliminate power plants, or obstruct a natural gas pipeline. He said the proposed legislation would "position Alaska for investment, modernization, and stability."

CO-CHAIR HOLLAND explained a reason to support HB 153 is because an 80 percent reliance on a single fuel source is risky and expensive. The bill sets modest targets for renewable energy: 40 percent by 2030 and 55 percent by 2035. Further, it would create certainty for investors and reduce long-term fuel costs, with a potential savings of \$1.3 billion over the next 15 years. He stated that combined with emerging tidal and geothermal projects, renewable sources of energy ("renewables") "offer even more potential for powering large-scale new industries seeking renewable energy to power data centers, synthetic clean jet fuel, and hydrogen fuel exports." He shared some history illustrating Alaska's interest in renewables. He noted that rural communities have pioneered hybrid energy grids; the state leads the nation in microgrid deployment and integration of renewables with conventional energy generation. He said the challenge now is "to bring those innovations to scale on the Railbelt." He described HB 153 as "a step forward - not a leap into the unknown." He said rural communities have expressed they are desperate to "move off of diesel," businesses seek relief from high rates, and residents have asked for stable, affordable energy sources.

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SHAINA KILCOYNE, Staff, Representative Ky Holland, Alaska State Legislature, on behalf of Representative Holland, prime sponsor, offered further introduction to HB 153 via a PowerPoint, titled "HB 153 Renewable Portfolio Standard" [included in the committee file]. She reiterated the targets of HB 153, as previously stated by the bill sponsor. She moved to slide 3 where a pie chart shows 15 percent renewable energy in 2022, and she indicated that the number was about the same currently. The chart on the right shows that the price of gas will jump significantly in the next few years. Imported gas cost projections range from \$12 to \$16 per unit. The aim of the proposed legislation is to promote energy independence, long-term cost reductions, and development of competitive markets. She highlighted the 76 percent Railbelt scenario that would save an accumulative \$1.3 billion over the next 15 years, and she explained that [HB 153] "does not get us to that scenario."

MS. KILCOYNE moved to slide 4, a map of energy standards: Green reflects states and territories with renewable portfolio standards; blue reflects states and territories with a voluntary renewable energy standard of target; and gold reflects states or territories with expired energy standards. Further information on slide 4 read as follows [original punctuation provided]:

With 585 GW of capacity additions, renewables accounted for over 90% of total power expansion globally. Renewables account for 93% of planned capacity growth in 2025 in the U.S.-International Renewable Energy Agency and Energy Information Administration

MS. KILCOYNE shared slide 5, which read as follows [original punctuation provided]:

Why is an RPS necessary?

Attract new investment and create competition in largescale renewable energy to reduce reliance on imported gas and lower energy costs for all Alaskans.

Foster a new energy economy to create jobs and economic opportunities for the next generation of Alaskans.

Offer incentives to maximize economies of scale, encourage collaboration, and leverage federal tax credits.

MS. KILCOYNE moved to slide 6, which lists the following renewable energy sources: water, geothermal, wind, solar, and waste to energy. She brought attention to slide 7, "Carrots," which read as follows [original punctuation provided]:

- Allows utilities to meet the target through Renewable Energy Credits (RECs), which can be purchased from Railbelt utilities or PCE communities without negative impact to PCE calculation.

- 1.25x multiplier for wind projects >100 MW installed before 2033 when energy is purchase by multiple utilities: Acknowledges projects in the queue, leverages federal energy tax incentives, fosters utility collaboration.

- 2x multiplier for distributed energy systems , from small-scale sources like solar panels, wind turbines, and batteries to encourage consumer investment.
- Allows for energy efficiency investments and distributed renewable energy systems to reduce transmission impacts.

MS. KILCOYNE brought attention to the first part of slide 8, "Sticks," which read as follows [original punctuation provided]:

Noncompliance Penalties & Waivers

Noncompliance fines of \$45 / MWh may be waived by the RCA:

- If the utility has entered into a power purchase agreement (PPA) before the next compliance period, begins receiving renewable electricity within two years of the prior compliance period, and files an estimate of purchased energy from said PPA with the RCA.

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MS. KILCOYNE responded to questions from Representative Rauscher. She confirmed that non-compliance fines are paid by the utilities. She talked about flexibility and economic incentive to meet standards.

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MS. KILCOYNE returned to the remaining portion of slide 8, which lists the remaining reasons for a waiver related to noncompliance as follows [original punctuation provided]:

- For reasons outside the reasonable control of the utility including weather-related or natural disaster damage, lower than expected energy generation, global pandemics, acts of war
- Due to transmission constraints that prevent delivery of renewable electricity from a third party agreement.
- The utility otherwise establishes good cause for noncompliance.

MS. KILCOYNE acknowledged that there are legitimate concerns regarding cooperatives ("co-ops") being fined for noncompliance.

To that, she stated, "This policy is intended to help improve the environment and condition for projects that the utilities are already working to implement, not to fine utilities."

MS. KILCOYNE moved on to slide 9, "Flexibility," which read as follows [original punctuation provided]:

Compliance Alternatives

- Utilities may satisfy a fine by paying a customer all or a portion of the customer's costs of installing a distributed energy system or energy efficiency technology.
- Utilities may avoid fines if they have met the 40% target by using the fine amount for future renewable projects.
- Allows exemptions if aggregate grid-wide renewable generation meets the overall standard.

MS. KILCOYNE explained that slide 10 shows the differences between HB 153 and a previous renewable power source (RPS) bill, House Bill 121 from the Thirty-Third Alaska State Legislature. The previous bill had targets of 25 percent by 2027, 55 percent by 2035, and 80 percent by 2040; fines of \$20/MWh; and an exemption for a utility's first noncompliance, not applicable after 2040. The proposed HB 153 includes the aforementioned targets of 40 percent by 2030 and 55 percent by 2035; a 1.25x multiplier for wind projects >100 MW installed before 2033; a 2x multiplier for distributed energy systems, reducing transmission needs; fines of \$45/MWh; and utilities may avoid fines if they have met the 40 percent target by using the fine amount for future renewable projects. Shared provisions include the following compliance mechanisms and incentives, as shown on slide 10 [original punctuation provided]:

- Both bills allow compliance via renewable energy credits (RECs), energy efficiency investments, and distributed renewable energy systems from small-scale sources like solar panels, wind turbines, and batteries located close to where the power is used.
- Both bills allow Railbelt utilities to purchase RECs from PCE communities without negative impact to their PCE calculation.
- Both bills allow the RCA to waive noncompliance fines for reasons outside the reasonable control of

the utility or if the utility establishes good cause for noncompliance.

- Both bills allow exemptions if aggregate grid-wide renewable generation meets the overall standard.
- Both bills allow utilities to satisfy a fine by paying a customer all or a portion of the customer's costs of installing a distributed energy system or energy efficiency technologies.

MS. KILCOYNE next addressed renewable energy credits (RECs), as shown on slide 11, which read as follows [original punctuation provided]:

A market-based instrument that represents the property rights to the environmental, social, and other non-power attributes of renewable electricity generation. RECs are issued when one megawatt-hour (MWh) of electricity is generated and delivered to the electricity grid from a renewable energy resource.

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MS. KILCOYNE, in response to Representative Rauscher, confirmed that rooftop solar energy is a renewable energy resource that would qualify and "would be eligible under distributed energy for a multiplier of two." She then highlighted the remainder of slide 11, which read as follows [original punctuation provided]:

Utilities may purchase RECs to help meet targets from:

- Renewable energy from another Railbelt utility
- Renewable energy generated in a system serving a community receiving Power Cost Equalization (PCE) credits. This is meant to encourage the development of renewable power outside the Railbelt and help lower the cost of energy in PCE communities.

MS. KILCOYNE brought attention to slide 12, "PCE Components," which read as follows [original punctuation provided]:

Sec. 42.05.910 Allows PCE communities to build renewable energy projects and sell RECs to the Railbelt communities for an added revenue stream.

Sec. 42.45.110(a) Excludes revenue from the sale of recovered heat and renewable energy credits when calculating PCE so as not to negatively impact PCE.

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MS. KILCOYNE next covered the sectional analysis, found on slides 13-23 of the PowerPoint, which read as follows:

Sectional Analysis

Modifications to AS 42.05.780 - 42.45.110 Public Utilities & Energy Programs

- Sec. 1 (42.05.780(a)) - An Integrated Resource Plan shall include RPS options
- Sec. 2 (42.05.785(a))- New projects must be compatible with RPS targets
- Sec. 3 (42.05.785(c))-Removes renewable electric projects from pre-approval
- Sec. 4 (42.05.785(e))- Defines "renewable energy resource"
- Sec. 5 (42.05.900 - 42.05.925) - Outlines RPS goals: 40% by 2030, 55% by 2035
- Compliance Incentives, Renewable Energy Credits, Noncompliance fines and waivers, Exemptions, Definitions
- Sec. 6 (42.45.110(a)) - Excludes revenue from RECs or the sale of recovered heat from the PCE calculation
- Sec. 7 (42.05.785(c)(3)) - Repeals pre-approval for renewable projects in 2030 14
- Sec. 8 Establishes effectivity on July 1, 2025

Section 1 - Integrated resources plans must include options by which each Railbelt utility may satisfy the renewable portfolio standard.

Section 2 - A Railbelt utility may not construct a large energy facility unless the Regulatory Commission of Alaska determines that the facility is not detrimental to a load-serving entity's ability to meet the renewable portfolio standard.

Section 3 - Establishes an exception from the Regulatory Commission of Alaska preapproval provisions for renewable energy projects that help a load-serving entity meet the renewable portfolio standard. Section 7 repeals this exception on December 31, 2030.

Section 4 - Adjusts the numbering of section 42.05.785(e) and adds the definition for "renewable

energy resource" within the pre-approval for large energy facilities section.

Section 5 - Adds new article under Sec. 42.05 entitled Article 11A. Renewable Portfolio Standard (RPS). AS 42.05.900 requires a load-serving entity that is subject to the standards of an electric reliability organization (commonly "Railbelt utilities") to comply with the RPS and requires those electric utilities to diversify their current generation portfolio by increasing the proportion of MWh of renewable electricity generated, or deemed generated, that results in no less than:

- 40 percent by the end of 2030
- 55 percent by the end of 2035

Sec. 42.05.905 - Incentivizes the development of larger grid-scale wind energy projects that have greater economies of scale, take maximal advantage of existing federal tax credits and encourage utility partnerships. Incentivizes utilities to facilitate investments in energy efficiency and in renewable energy by their end-use customers. Further facilitates PCE communities to install renewable energy generation by allowing those utilities to sell renewable energy credits (RECs) to Railbelt utilities.

Sec. 42.05.910 - Governs the use of renewable energy credits (RECs). To qualify as part of a load-serving entity's portfolio, RECs must be from generation connected to the same interconnected electric transmission network. Credits can also qualify if they are purchased from renewable sources located within the service area of an electric utility that serves customers who receive PCE.

Sec. 42.05.915 - Establishes a noncompliance fine for a Railbelt utility that fails to meet the RPS, set at \$45 for every megawatt hour (MWh) that the entity is below the standard. The Regulatory Commission of Alaska (RCA) may waive fines if

- A Railbelt utility has entered into a power purchase agreement before the deadline and expects to receive the electricity no more than two years after the deadline.
- It determines that a Railbelt utility is unable to meet the RPS for reasons outside the reasonable

control of the utility, as set out in (b), (c), and (e) of this section, or the entity otherwise establishes good cause for noncompliance as set out in (f) of this section.

Sec. 42.05.915 cont - Within one year after the RCA imposes a noncompliance fine, a Railbelt utility may satisfy a fine by paying all or a portion of a customer's costs of installing a distributed energy system or an energy efficiency technology. If a Railbelt utility has met the 40% threshold, then a fine that results from noncompliance of the 55% target may be avoided by instead depositing \$45 for every MWh that the is short in an RCA-approved account for use by the utility to defray the cost of future renewable electricity purchases or projects.

Sec. 42.05.920 - Establishes an exemption from compliance with the RPS by Railbelt utilities if the aggregate generation of renewable electricity in an interconnected electric transmission network meets or exceeds the percentage required by the standard. Sec. 42.05.925 - Provides for definitions used under Article 11A.

Section 6 - Amends Sec. AS 42.45.110(a) to exclude revenue from the sale of recovered heat, or revenue from the sale of renewable energy credits, when calculating PCE.

Section 7 - Establishes a sunset by repeal of section 42.05.785(c)(3), which provides an exception from the provisions of pre-approval for renewable energy projects that help a load-serving entity meet the renewable portfolio standard.

Section 8 - Establishes an effective date of July 1, 2025.

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MS. KILCOYNE, in response to Representative Costello, confirmed the feasibility of Section 5.

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MS. KILCOYNE, in response to Representative Rauscher, noted the rates align with national standards. She added that the committee could make adjustments. She emphasized that the goal is to reduce long-term costs, not to fine consumers.

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CO-CHAIR HOLLAND added that the intent is that there would be enough savings to cover a shortfall; there could be a penalty, but the focus is on the aggregate benefit.

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MS. KILCOYNE, in response to Representative Costello, indicated there would be no administrative burden because the first targeted goal is not until 2030. She speculated that if utilities had a setback, it would be their responsibility to explain that to the Regulatory Commission of Alaska (RCA). She offered her understanding that the RCA can address any issues within its existing capacity.

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MS. KILCOYNE wrapped up the sectional analysis [text provided previously].

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TOM ATKINSON, General Manager and CEO, Kotzebue Electric Association, as invited testifier, began a PowerPoint presentation [included in the committee file], titled "Kotzebue Electric Association; Leading the Way in Renewable Energy." He gave a rundown of the timing of KEA's addition of the various renewable energy systems, shown on slide 3, which read as follows [original punctuation provided]:

Current Hybrid Power Plant

- Diesel Consumption: ~1.2 Million Gallons/year #2USLD (with a 5+ month reserve) Electricity Cost:
- .44c/kWh for electricity, \$4-5 million per year for energy
- Winter Load (2-3.5 MW) and Summer Load (1.5-2.5 MW)
- Automated -12MW Diesel Plant: 3x3 MW and 3 smaller units (1.4 MW, 1.1 MW & 725 kW)
- Wind Turbines: 2x900 kW (EWT))
- Solar PV Array: 1072 kW (AC)
- Reactive Power: 1 MVAR ABB Statcom inverter

- Battery Storage: 950 kwh/1.225 MW SAFT Li-ion Battery (BESS)
- Electric Boiler: 450 kW (15 kW x 30 stages) for hot water and heat at local hospital from excess wind energy

~4.5 million kWh annual wind/PV production 20-25% capacity factor

MR. ATKINSON stated that KEA's goal is to displace diesel with renewable energy and to be free of dependency on outside energy sources. He moved on to slide 4, which read as follows [original punctuation provided]:

Current 900 kW EWT Wind Turbines - Installed 2012 - 12 million cost

- KEA is working with the Native Village of Kotzebue to install 2 more 1MW wind turbine
- The cost of purchasing 2 wind turbines and installing them is estimated to be \$20 million
- These turbines are a newer version of KEA's 2 existing EWT 900-54 turbines
- The 1MW wind turbine has a larger, optimized rotor to capture roughly 15% more energy annually
- KEA's entire fleet of 17 smaller, first-generation turbines are decommissioned
- 1 new EWT 1,000 is expected to produce approximately 2,500,000 kWh per year
- Installing wind turbines is expensive because of the special cranes and equipment that must be shipped in to lift and secure the turbines into place
- It is more economical to install multiple turbines at one time, thus saving on installation costs

MR. ATKINSON brought attention to slides 5 and 6, which read as follows [original punctuation provided]:

Phase I Solar

Phase I of the project began operating in July 2020 and integrated solar energy into the Kotzebue Electric Association (KEA) system

- The project replaced 532 kilowatts (kW) of first-generation wind turbines with 532 kW of solar. Co-located at the KEA wind site

- The cost of this project was \$1.9 million
- U.S. Department of Energy through the NANA Regional Corporation, Tribal Energy Program, provided \$600,000 in funding
- The Northwest Arctic Borough, through the Village Initiative Fund, provided an additional \$600,000 in funding
- KEA provided \$700,000 of capital funds for the project 532 kW Project Completed in July 2020 (\$1.9 million project cost)

Phase II Solar

- KEA is now collecting solar energy and learning to maximize the solar resource
- KEA installed an additional 540 to 650 kW of solar power. This project was completed in July of 2023 making KEA's Solar Farm the second largest solar farm in Alaska. (2 million project cost).
- Funding for this project came from Round 14 of the Renewable Energy Fund.

MR. ATKINSON moved on to slide 7, which shows photos of a SAFT 950kWh battery container in a substation and a new 4 MW battery and read as follows [original punctuation provided]:

- KEA currently has a 1-megawatt 950kwh lithium ion battery that was installed in 2015 that is nearing the end of its useful life.
 - Kotzebue Electric Association (KEA) will be increasing energy storage by purchasing an additional 4-megawatt (MW)/8 - 12 (MWh) lithium-ion battery
 - This additional capacity will allow the battery system to power all of Kotzebue for approximately 120 minutes.
 - The "grid-forming" ability of the battery will allow KEA to shut off the diesel generators when sufficient renewable power is available
- Project Cost: \$15 million, awarded 9 million from OCED in NWAB Regional Grant, awarded 3 million Lisa Murkowski CDS appropriation, awarded \$800,000 from Denali Commission for non-federal matching, awarded \$150,000 NWAB VIF for Design funding, & \$400,000 AEA R13

MR. ATKINSON projected slide 8, which read as follows [original punctuation provided]:

Benefits of Renewable Energy

- Reduce Cost to Generate Electricity - Up to 50% Savings
- Reduced Maintenance Costs
- Reduced Costs in Regulatory Compliance
- Reduced Costs for Heating With Beneficial Electrification

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CO-CHAIR MEARS called KEA a model for complex renewable energy systems use.

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MR. ATKINSON, in response to Representative Rauscher, talked about the ability of battery power to be used during power outages, of which he said Kotzebue has few. In response to Co-Chair Mears, he reported that KEA has been able to go off diesel with the use of battery power, but only for a short period of time.

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MR. ATKINSON, in response to Representative Costello, said the push for alternative energy sources came from the community of Kotzebue. He indicated that in other areas of the state where there may be more options, there has been "an avoidance to talk about this issue." He stated support for HB 153 because the time for avoiding the conversation is over. He allowed that the bill is not perfect, and he recommended that stakeholders be brought together to discuss this issue, that everyone has "a seat at the table" before implementing a plan that will affect everyone.

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ERIN MCKITTRICK, Independent Energy Analyst, specified that although she sits on the board of Homer Electric Association, she is providing invited testimony today on her own behalf. She began a PowerPoint presentation [included in the committee file], titled "Preliminary Feasibility and Cost Analysis of the HB 153 Renewable Portfolio Standard." Slide 2 read as follows [original punctuation provided]:

Primary questions

- Are the goals in HB 153 achievable?
- What are the potential savings or costs to customers?

MS. MCKITTRICK covered slide 3, which outlines that the proposed legislation requires increased renewable energy used by 2030 and again by 2035 and shows present and projected energy sources for the Railbelt. Currently, approximately 15 percent of the Railbelt's energy generation is derived from renewable energy sources, mostly hydro, with some gas and oil. Slide 4 shows one way the targeted standards could be met. It lists two wind projects of Alaska Renewables, which would be enough to meet the first target for 2030. Then it shows the Puppy Dog Lake solar project, a concept that was recently canceled but which could be replicated; however, as the smallest factor shown here, it does not really matter in terms of reaching the first target, she said. Finally, there is the Dixon Diversion hydro project - the expansion of Bradley Lake hydro. She pointed to a line on the graph chart that read "unadjusted" and explained that that would be "the actual typical penetration of renewable energy under this scenario." She said when all these factors are put together, the Railbelt would be approximately 2 percent short of the second target [for 2035].

MS. MCKITTRICK moved on to slide 5, which read as follows [original punctuation provided]:

Projects included

- 300MW wind at Little Mount Susitna and Shovel Creek
 - 1,165,000 MWh per year after curtailment
 - Available in 2028 and 2029
 - E3 study shows that this can be integrated on the existing system with economic dispatch, but without major new transmission
 - Would qualify for 1.25x multiplier in HB153
- 45MW(input)/30MW(output) solar modeled on Puppy Dog Lake
 - Around 60,000 MWh/year
 - Available in 2028
- Dixon Diversion
 - 190,800 MWh per year
 - Available 2030
- Distributed solar
 - Additional 2.2MW installed per year, based on recent averages
 - Would qualify for 2x multiplier in HB153

- Wind would meet the 2030 target on its own
- All of these together would be only 2% short of the 2035 target
 - Only 80,000 MWh more would be needed

MS. MCKITTRICK explained that she included these projects because they are extensively studied, could be available by the end of 2030, and their integration has been modeled into the current grid. She offered further details. In response to Representative Rauscher, she talked about the reason the Puppy Dog Lake project was not pursued.

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MS. MCKITTRICK showed a graph on slide 6 that illustrated that in the worst-case scenario, the renewable portfolio standard could raise costs 5.5-8.5 percent. In response to Representative Rauscher, she clarified information related to Fire Island and Huston Solar. Ms. McKittrick then moved on to slide 7, "Fines set the worst-case scenario," which read as follows:

- Maximum fines are a straw man scenario, which assumes
 - No renewable energy projects are developed
 - No contracts are signed for future projects
 - No utilities make good-faith efforts to comply with the standard
 - No waivers are issued for any reason
- Railbelt utilities collect over \$930 million from their customers annually
 - Maximum fines would add \$51 million annually for the first target
 - \$83 million for the second
- Bill impacts would be 5.5% in 2031, or 8.5% in 2036
 - For the first target, this is equal to a 1.2 cent rate increase, or around \$6 on an average residential bill
 - If the first target is met, potential fines from the second can be spent on renewable projects
- Those cost impacts don't include any savings from fines paid towards customer efficiency or distributed generation

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MS. MCKITTRICK discussed the bar chart on slide 8, which shows a comparison of existing and potential future electricity generation costs broken down into fuel cost, other fixed cost, and potential. Current sources of energy, shown on the left, are natural gas, which is approximately 8 cents per kilowatt hour (kWh); the new contract bar shows the price at which power is produced. She pointed to the categories on the left of the chart, which included: natural gas, Healy coal, North Pole oil, Bradley Lake hydro, [Huston] solar, and Fire Island wind. The potential sources on the right side of the graph include: liquid natural gas (LNG) import, NREL renewables plus tax credits, NREL renewables, wind, solar, and Dixon Diversion. She highlighted that these are predictions and said she held a "pessimistic" view when selecting these. She noted that the maximum potential cost impact of the first target funds would be approximately 1.2 cents per kWh; the imported gas costs would raise rates 3 to 5 cents per kWh.

MS. MCKITTRICK showed slide 9, which read as follows [original punctuation provided]:

- Costs may range from similar to significantly cheaper
- Future gas generation costs are expected to be substantially higher than current costs. ○ New Cook Inlet gas contracts start at \$12.30/Mcf ○ Imported gas cost projections range from \$12-16/Mcf
 - Other fossil generation costs are already quite high
 - All current renewable energy is cheaper than future gas energy projections
 - Future renewable energy projects with tax credits are probably substantially cheaper than imported gas energy.
 - If tax credits end, the costs are more similar. There are likely small savings available, depending on project details and exact fuel prices.

MS. MCKITTRICK concluded on slide 10, which read as follows [original punctuation provided]:

- Current plans will mostly satisfy the standard.
- Diversification may save money, and any potential fines would be modest.

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REPRESENTATIVE MEARS thanked the presenters and remarked that the challenge is to have publicly available data.

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CO-CHAIR HOLLAND made closing remarks. In response to the invited testimony, he expressed excitement regarding the kinds of projects that could be created by an energy sector. He highlighted that any project done in the future will require "significant capitalization" following which renewable projects essentially be operated "off of free fuel." He pointed out that imported gas is money that leaves Alaska, while renewable energy would keep money in the state. He spoke about modifying penalties in a way that would put money back into future projects. He emphasized that this is a new RPS, not a reworking of the old. He emphasized the importance of the Railbelt and rural communities and bringing benefit between the two.

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REPRESENTATIVE RAUSCHER expressed that he would like the Legislative Budget and Audit Committee to be asked to authorize a preliminary feasibility cost impact analysis and a comprehensive independent analysis of HB 153. He cited possible cost to consumers and waning incentives as reasons for this request.

CO-CHAIR MEARS responded that she has heard that an RPS could remove barriers and lessen risk for investors and that the more diverse energy sources are, the more reliable they become.

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REPRESENTATIVE TILTON questioned why, if things are already happening, the bill sponsor thinks the legislature needs to place restrictions on the private sector.

REPRESENTATIVE RAUSCHER, adding to his request for a third-party consultancy, listed that which could be considered: utility scale modeling, energy portfolio forecasting, rate payer impact assessment, a formal request for proposal (RFP) process, and a final report delivered with adequate time for legislative deliberation.

REPRESENTATIVE MEARS said she foresees work being done with stakeholders to produce a committee substitute for HB 153. She observed that the number of attendees at the hearing indicates that the bill would affect many.

CO-CHAIR HOLLAND said he appreciates Representative Rauscher's recommendation for a study and noted that the issue had been studied. He said he could catalog what has been done and return to the committee with more information.

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CO-CHAIR MEARS announced that HB 153 was held over.

[2:34:38 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Energy meeting was adjourned at 2:34 p.m.