

[Close this window](#)[Print this page](#)

Alaska legislators prepare to grapple with power problems

By [Rena Delbridge](#)

Originally published Monday, March 2, 2009 at 12:00 a.m.

Updated Monday, March 2, 2009 at 12:58 p.m.

CORRECTION: *Gwen Holdmann's name was misspelled in the original story.*

JUNEAU — With much of the state still reeling from unprecedented energy costs in 2008, lawmakers are pegging affordable energy as a top priority during the legislative session.

With the 90-day session about half over, committees are weighing proposals large and small that could increase efficiency, encourage conservation and spur development of more affordable energy sources.

Capping those is a plan to develop in-state natural gas, which Gov. Sarah Palin plans to roll out Tuesday. She filed two bills Friday that she said would lay the framework for the larger plan by expanding the role of the Alaska Natural Gas Development Authority and clearing some potential state permitting and regulatory hurdles a private gas pipeline builder could face.

The House and Senate energy committees are working together to develop a statewide energy plan, which committee leaders said should be a strong policy direction for allocation of resources.

Sen. Joe Thomas, D-Fairbanks, said he isn't sure how to resolve Alaska's complex relationship with energy costs.

Supply isn't always developed without a commercial market, yet the state has too few people, spread among remote, isolated areas, to offer commercial incentives in all instances.

He pointed to funding for renewable energy projects as one way the state can help communities meet needs. However, funding for such projects through the Alaska Energy Authority was cut in Palin's proposed budget. Thomas said the state will have to either spend now to help communities help themselves, or spend more in energy bailouts when costs skyrocket for consumers, as they did in 2008.

"You have to make those projects a priority and forge forward with them," he said. "They are the potential solutions to some of those more pressing issues."

Among the legislative proposals on the table:

- Palin's bills could set the stage for a public-private partnership on an in-state natural gas line, much as she proposed last summer.

One bill would expand ANGDA's authority by changing its statutory mission. ANGDA is directed to focus on getting North Slope gas to tidewater ports. The governor's proposal would broaden that authority to include markets within the state and tidewater ports, according to a bill draft provided by Palin communications director Bill McAllister.

Many legislators are keeping a close watch on exploration off the North Slope. Doyon Ltd. is drilling for gas near Nenana, while Anadarko is in the second year of a major exploration program at the Gubik Complex, located on the south side of the North Slope.

- The second bill would smooth regulatory hurdles concerning state rights-of way and permitting. One change would allow the Regulatory Commission of Alaska to issue a conditional permit that could build momentum for a developer looking for fiscal certainty.

"This provision could, in some circumstances, provide greater predictability as to the timing and outcome of the regulatory process, and might reduce the cost and facilitate the development of a project by assuring potential shippers and financing partners of ultimate regulatory approval," states a letter accompanying the draft.

- The House and Senate special committees on energy heard testimony Thursday on what a state energy plan could look like.

Gwen Holdmann, director of the Alaska Center for Energy and Power in Fairbanks, and Ginny Fay with the Institute of Social and Economic Research, detailed some aspects.

Fay said the state's policies have focused on electric generation and oil and gas development, while Alaskans' biggest costs are in space heating.

She advised developing a policy that reduces the total cost of energy in Alaska by reducing the costs of supply, distributing resources fairly, especially in rural areas, and looking to long-term supplies instead of reacting abruptly to fluctuating oil prices.

When oil prices are high, the state coffers are flush, but Alaska is vulnerable to boom and bust cycles. When prices plummet, the state scrambles.

Holdmann urged legislators to fund not only renewable energy projects, but also research and development of unproven technology.

A healthy R&D program could supply jobs and even work as an incubator for new businesses involved in renewable or alternative technologies, she said.

The committee also heard from Cambridge Energy Research Associates, a group that offers consulting services that could help Alaska develop an energy plan.

- Sen. Gene Therriault, R-North Pole, talked about the need for instate natural gas development at a media briefing Thursday.

"Alaskans are interested in Alaskans getting access to the hydrocarbon resources that we have. ... The big potential is North Slope gas," he said. "We want to start a process where Alaskans can see some forward progress."

He lauded Palin's proposal to "knit" the six Railbelt utilities into one electric corporation to save money by focusing on a single, bigger new generation project, such as a hydroelectric project at Susitna, rather than several smaller projects.

He said the plan would help the state take advantage of economies of scale.

A bill creating the joint corporation is expected from the governor any day.

- A tax credit program to encourage development of alternative energy projects is moving ahead.

Sen. Lesil McGuire, R-Anchorage, sponsored Senate Bill 31, which passed the Special Committee on Energy last week.

The committee approved increasing the tax credit from 0.35 cents per kilowatt hour to 2.1 cents, following input from developers who said a higher credit would provide a greater incentive.

The production tax credit would apply to new projects involving geothermal, hydroelectric, wind, biomass and solar generation.