

HOUSE JOURNAL
ALASKA STATE LEGISLATURE
TWENTY-FIFTH LEGISLATURE

Juneau, Alaska

Monday

March 5, 2007

Forty-ninth Day

Pursuant to adjournment the House was called to order by Speaker Harris at 11:03 a.m.

Roll call showed 31 members present. Representatives Holmes, Kawasaki, Kelly, Kohring, Neuman, Ramras, and Samuels had been excused from a call of the House today. Representative Crawford was absent and his presence was noted later.

Representative Coghill, Acting Majority Leader, moved and asked unanimous consent that Representative LeDoux be excused from a call of the House today. There being no objection, it was so ordered.

The invocation was offered by the Chaplain, Pastor Gary Waterhouse of the Juneau and Sitka Seventh-day Adventist Churches. Representative Dahlstrom moved and asked unanimous consent that the invocation be spread on the journal. There being no objection, it was so ordered.

Dear Lord,

After a refreshing weekend we are glad to be back in this building working for you and for the people of the state of Alaska. We pray for strength for this day as we carry on our duties and responsibilities. Thank you for bringing us safely through the snow and the slippery conditions outside to bring us to these chambers.

Bless the work that will take place here this week. We pray that it will be productive and beneficial to each of us.

Yesterday a great race began a little north of us, and we would take a moment to remember these men and women and dogs who are competing in this challenge. Give to each of them speed, safety, and protection on the race course, and may they arrive safe and sound in Nome.

In thy name we pray these things, Amen.

The Pledge of Allegiance was led by Representative Nelson.

CERTIFICATION OF THE JOURNAL

Representative Coghill moved and asked unanimous consent that the journal for the 45th, 46th, 47th, and 48th legislative days be approved as certified by the Chief Clerk. There being no objection, it was so ordered.

COMMUNICATIONS

The following were received:

Dept. of Commerce, Community, & Economic Development
Regulatory Commission of Alaska
Annual Report
Fiscal Year 2006
(as required by AS 42.05.211 and AS 42.06.220)

Dept. of Health & Social Services
Recommendations for Community Mental Health Facility Services
Report to the Alaska Legislature
March 1, 2007
(as required by Chapter 96, SLA 2006)

Dept. of Labor & Workforce Development
Alaska Labor Relations Agency
2006 Annual Report
(as required by AS 23.05.370)

Representative Foster, who was excused (page 84), left the Chamber.

REPORTS OF STANDING COMMITTEES

HJR 10

The Health, Education & Social Services Committee considered:

HOUSE JOINT RESOLUTION NO. 10

Relating to reauthorization of federal funding for children's health insurance; and encouraging the Governor to support additional funding for and access to children's health insurance.

and recommends it be replaced with:

CS FOR HOUSE JOINT RESOLUTION NO. 10(HES)
(same title)

The report was signed by Representative Wilson, Chair, with the following individual recommendations:

Do pass (7): Cissna, Neuman, Fairclough, Gardner, Seaton, Roses, Wilson

The following fiscal note(s) apply to CSHJR 10(HES):

1. Zero, House Health, Education & Social Services Committee

HJR 10 was referred to the Finance Committee.

REPORTS OF SPECIAL COMMITTEES

HJR 4

The House Special Committee on Fisheries considered:

HOUSE JOINT RESOLUTION NO. 4

Requesting the Federal Subsistence Board to reconsider its decision regarding the subsistence fishery priority given to Ninilchik residents.

and recommends it be replaced with:

CS FOR HOUSE JOINT RESOLUTION NO. 4(FSH)

Requesting the Federal Subsistence Board to reconsider its decisions regarding the subsistence fishery priority given to Ninilchik, Happy Valley, Hope, and Cooper Landing residents.

The report was signed by Representative Seaton, Chair, with the following individual recommendations:

Do pass (3): Johnson, Edgmon, Seaton

No recommendation (1): LeDoux

The following fiscal note(s) apply to CSHJR 4(FSH):

1. Zero, House Special Committee on Fisheries

HJR 4 was referred to the Resources Committee.

HB 125

The House Special Committee on Ways & Means considered:

HOUSE BILL NO. 125

"An Act relating to budget planning and a long-range fiscal plan for the State of Alaska."

and recommends it be replaced with:

CS FOR HOUSE BILL NO. 125(W&M)

"An Act relating to budget planning and a fiscal plan for the State of Alaska."

The report was signed by Representative Hawker, Chair, with the following individual recommendations:

Do pass (7): Fairclough, Wilson, Cissna, Gruenberg, Roses, Seaton, Hawker

The following fiscal note(s) apply to CSHB 125(W&M):

1. Indeterminate, Dept. of Revenue
Fiscal note(s) forthcoming.

HB 125 was referred to the Finance Committee.

HB 128

The House Special Committee on Oil & Gas considered:

HOUSE BILL NO. 128

"An Act relating to allowable lease expenditures for the purpose of determining the production tax value of oil and gas for the purposes of the oil and gas production tax; and providing for an effective date."

and recommends it be replaced with:

CS FOR HOUSE BILL NO. 128(O&G)
(same title)

The report was signed by Representative Olson, Vice Chair, with the following individual recommendations:

Do pass (3): Doogan, Ramras, Olson

No recommendation (1): Samuels

The following fiscal note(s) apply to CSHB 128(O&G):

1. Zero, Dept. of Environmental Conservation
2. Fiscal, Dept. of Administration
3. Fiscal, Dept. of Revenue

HB 128 was referred to the Resources Committee.

**The presence of Representative Crawford was noted.

INTRODUCTION OF CITATIONS

The following citations were introduced and referred to the Rules Committee for placement on the calendar:

Honoring - Paul B. Reichardt
By Representative Guttenberg

Honoring - AWARE Women of Distinction: Joyanne Bloom, Dolores Cadiente, Ann Lockhart, and Connie Munro
By Representatives Kerttula, Doll; Senator Elton

Honoring - The South Anchorage High School Hockey Team
By Representative Lynn

Honoring - John Straley, Alaska State Writer Laureate
By Senator Stedman; Representative Wilson

In Memoriam - Gary Landes
By Senator Bunde

In Memoriam - Randy Crawford
By Senator Wagoner; Representative Chenault

**INTRODUCTION, FIRST READING, AND REFERENCE
OF HOUSE BILLS****HB 172**

HOUSE BILL NO. 172 by the House Labor and Commerce Committee, entitled:

"An Act exempting certain commercial refuse services from regulation under the Public Utilities Regulatory Act and providing for termination of that exemption."

was read the first time and referred to the Labor & Commerce and Judiciary Committees.

HB 173

HOUSE BILL NO. 173 by the House Health, Education and Social Services Committee, entitled:

"An Act relating to court approval of involuntary administration of psychotropic medication; and providing for an effective date."

was read the first time and referred to the Health, Education & Social Services and Judiciary Committees.

HB 174

HOUSE BILL NO. 174 by Representative Coghill, entitled:

"An Act relating to municipal initiative and referendum elections."

was read the first time and referred to the Community & Regional Affairs and State Affairs Committees.

HB 175

HOUSE BILL NO. 175 by Representative Johnson, entitled:

"An Act relating to the prohibition of the exercise of the power of eminent domain against a recreational structure for the purposes of developing a recreational facility or project."

was read the first time and referred to the Judiciary and Finance Committees.

HB 176

HOUSE BILL NO. 176 by Representative Wilson, entitled:

"An Act creating the Fort Rousseau Causeway State Historical Park."

was read the first time and referred to the Resources and Finance Committees.

HB 177

HOUSE BILL NO. 177 by the House Rules Committee by request of the Governor, entitled:

"An Act relating to the Alaska Gasline Inducement Act; establishing the Alaska Gasline Inducement Act matching contribution fund; providing for an Alaska Gasline Inducement Act coordinator; making conforming amendments; and providing for an effective date."

was read the first time and referred to the House Special Committee on Oil & Gas and the Resources and Finance Committees.

The following fiscal note(s) apply:

1. Zero, Dept. of Administration
2. Zero, Dept. of Commerce, Community, & Economic Development
3. Zero, Dept. of Natural Resources
4. Fiscal, Dept. of Natural Resources
5. Fiscal, Dept. of Revenue

The Governor's transmittal letter dated March 2, 2007, follows:

"Dear Speaker Harris:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill that facilitates commercialization of Alaska's North Slope natural gas resources and promotes continued exploration and development of those resources. The bill will induce expeditious construction of a natural gas pipeline to transport Alaska's North Slope natural gas to market using a process that is fair, transparent, and competitive. Our nation's energy markets are hungry for Alaska's gas resources, and Alaskans have waited for decades to see these resources developed.

Earlier this week I had several successful meetings with federal officials in Washington, D.C., including the distinguished members of Alaska's Congressional delegation. These meetings affirmed for me that it is time for Alaska's natural gas resources to be developed in order to meet the energy demands of our nation. The Chairman of the

Federal Energy Regulatory Commission, Joseph Kelliher, made the statement that my plan does "represent the best hope for building a pipeline to bring Alaska's vast natural gas resources to the energy consuming lower 48 states."

This bill sets forth the following: (a) midstream inducements to encourage companies to identify development benchmarks and build the gas pipeline; (b) upstream inducements that will encourage the holders of North Slope gas reserves to commit their gas to the project; (c) terms that an application must contain to qualify to compete for an exclusive license to the midstream inducements; (d) evaluative criteria by which competing applications will be measured; (e) a public process for reviewing the applications; (f) a procedure by which the applications will be reviewed and a notice of intent to issue a license that will be transmitted to the legislature; and (g) auditing and enforcement tools to protect state contributions and interests.

The midstream inducements will include a matching contribution of up to \$500 million paid out during the highest risk phase of the project, which is the period the licensee is completing the work necessary to obtain a certificate from either the Federal Energy Regulatory Commission (FERC) or the Regulatory Commission of Alaska (RCA). The licensed project will also benefit from a state program that provides training to Alaskans for gas pipeline jobs.

The bill offers explicit requirements that state permits and authorizations relating to the pipeline be expedited and coordinated in order to avoid complicated, time-consuming and conflicting state and federal permitting processes. In order to facilitate a successful project and an expedient process, the bill will empower the governor to appoint a gas pipeline coordinator to oversee the state permitting process and work with the federal pipeline coordinator to integrate the state and federal permitting processes.

The upstream inducements will encourage those who hold gas reserves under lease to commit that gas to the pipeline licensed under the bill. Under the "royalty inducements," the state will develop regulations to provide predictability in the determination of royalty value and the exercise of its right to take its royalty share in kind (as gas) or in value (as money). A "gas production tax exemption" will give shippers of

gas an exemption from production tax equal to the difference between the tax obligation based upon the tax rate in affect at Open Season, and any higher rate that becomes effective in the ten years following commencement of the gas pipeline commercial operations. These provisions address leaseholders' concerns that they need to know how their royalty and tax obligations will be measured for a reasonable period into the future before they irrevocably commit to ship their gas at an Open Season. The benefits will be available to all leaseholders who commit gas to the licensed gas pipeline project during the initial Open Season.

The bill will accomplish six primary goals: (1) initiate an application process open to any project sponsor; (2) take clear steps to promote the construction of a gas pipeline as quickly as possible, (3) ensure the North Slope basin is open to long-term gas exploration and development, (4) ensure reasonable tariff rates are available to transport Alaska's natural gas to market, (5) ensure North Slope natural gas is available to Alaskans, and (6) ensure Alaskans are trained and ready for the natural gas pipeline jobs and those jobs are made available to Alaskans.

To accomplish the first goal, applications will be welcomed from any entity or a coalition of entities interested in constructing the gas pipeline. However, only those applications that fulfill the "qualifying application requirements" will be considered for the license to the midstream inducement package.

To accomplish the second goal, the bill will require that applications provide a detailed description of the applicant's proposed project, including route, size, design capacity, timeline and budget. Applicants must agree to hold an Open Season (to solicit firm commitments to ship gas on the pipeline) within three years of getting the license, and will detail steps toward obtaining a Certificate of Public Convenience and Necessity from FERC or the RCA. The state gas pipeline coordinator will also ensure an expeditious regulatory process.

To accomplish the third goal, applicants must commit to expanding the pipeline project when new gas is available. There is currently more than 35 trillion cubic feet (Tcf) of proven reserves of natural gas on Alaska's North Slope. However, most geologists agree that there is

many times that amount of North Slope gas awaiting discovery. By ensuring that the pipeline will be expanded when more gas is discovered and ready to be shipped, the bill assures that Alaska's gas will serve the nation's energy needs for decades. Therefore, applicants must commit to evaluate the demand for pipeline expansion at least every two years, and to expand when there is sufficient quantities of gas to ensure an economic expansion. The costs of any expansions will then be collected through "rolled-in" rates that pass those expansion costs on to all shippers in the gas pipeline. The AGIA will cap the cost of rolled-in price increases at no more than 15 percent of initial rates, in response to concerns regarding the predictability of tariff rates.

To accomplish the fourth goal, applicants will have to commit to propose and support tariff rates that would produce the lowest reasonable transportation costs in order to produce the highest price at the wellhead. Minimizing transportation costs result in the state maximizing its royalty revenue stream as well as that of the producers.

To accomplish the fifth goal, applicants must provide for a minimum of five off-take points in Alaska. This, in conjunction with the "distance sensitive tariff rates", will allow gas to be withdrawn from the pipeline at reasonable transportation costs in order to serve residential and business needs across the state.

To accomplish the sixth goal, applicants must commit to establishing a gas pipeline project headquarters in Alaska, establishing hiring offices in Alaska, and hiring qualified Alaskans, thus giving Alaskans access to the thousands of new pipeline jobs.

The bill requires the application process to commence no more than three months after the bill passes, when the commissioners of Natural Resources and Revenue issue a request for applications (RFA). Applications will be due under a deadline established by the commissioners; however, our intention is to allow applicants three (3) months to respond to the RFA.

Applicants will be deemed "qualified" by having fulfilled the bill's requirements. Qualified applications will then be evaluated by the commissioners of Natural Resources and Revenue to determine which

application best meets the stated goals. Before issuing a written determination, the commissioners will publicly release complete applications and take comments for 60 days. Applicants could apply to keep confidential the proprietary information or trade secrets included in their applications.

The bill sets forth "evaluative criteria" to facilitate the selection process. The evaluative criteria are: the proposed project timeline, the proposed method to manage cost overruns, the proposed tariff rates, the ability of the project design to accommodate expansion, the percentage of the state matching fund that will be used, whether the project is feasible, and the applicant's ability to perform. The commissioners will publish a notice of intent to issue a natural gas pipeline project license with written findings, and forward the notice of intent, with findings and supporting documentation, to the legislature. The legislature will have 30 days to disapprove the commissioners' proposed action.

The bill also provides that the licensee must commit to spend the money necessary to build the pipeline within one year of receiving a certificate from the FERC or the RCA if the project has credit support adequate to finance construction of the project. If necessary, the licensee would have an additional four years to obtain financing, or transfer the certificate and all associated work product to another licensee designated by the state. If the project becomes uneconomic after the license is awarded, the bill provides a process for relinquishing the license that will enable the state to recover the benefit of its investment in the project and issue another license. To encourage the licensee to spend its money working toward Open Season, and certification, and building the gas pipeline project, the state will agree that if it provides financial benefits to another company to encourage the construction of a competing pipeline project after the license is issued, the licensee will be entitled to recover from the state three times the amount it spent on the project.

The bill identifies quantifiable values the state is willing to commit to encourage early and appropriate development of an Alaska Gas Pipeline project. It also identifies the elements necessary to protect the state, and the nation's, long-term interests in development of additional gas reserves. The bill protects the state from untenable risks and will

induce expedited construction of a gas pipeline that powers the state and the nation. I urge your prompt and favorable action on the bill.

Sincerely,

/s/

Sarah Palin

Governor"

HB 178

HOUSE BILL NO. 178 by the House Health, Education and Social Services Committee, entitled:

"An Act relating to the Governor's Committee on Employment of People with Disabilities; and providing for an effective date."

was read the first time and referred to the Health, Education & Social Services and Finance Committees.

HB 179

HOUSE BILL NO. 179 by Representative Kelly, entitled:

"An Act relating to insurance for public employees, teachers, and certain retired public employees and teachers and to supplemental employee benefits; relating to teachers' and public employees' defined benefit retirement plans, to teachers' and public employees' defined contribution retirement plans, to employee and employer contributions to the teachers' retirement system and the public employees' retirement system, and to the administration of the Public Employees' Retirement System of Alaska and the deferred compensation program for state employees; establishing in the Department of Revenue the teachers' retirement system past service cost liability account and the public employees' retirement system past service cost liability account; relating to benefits of, references to federal law in, and investments in the teachers' retirement system and the public employees' retirement system; modifying the jurisdiction of the independent office of administrative hearings as related to retirement and related personnel benefits; and providing for an effective date."

was read the first time and referred to the State Affairs and Finance Committees.

CONSIDERATION OF THE DAILY CALENDAR

SECOND READING OF HOUSE BILLS

HB 117

The following was read the second time:

HOUSE BILL NO. 117

"An Act relating to proclamations issued by the governor calling the legislature into special session."

with the:	Journal Page
STA RPT 6DP	282
FN1: ZERO(LAW)	283
JUD RPT CS(JUD) 6DP	360
FN1: ZERO(LAW)	361

Representative Coghill moved and asked unanimous consent that the following committee substitute be adopted in lieu of the original bill:

CS FOR HOUSE BILL NO. 117(JUD)
(same title)

There being no objection, it was so ordered.

Representative Coghill moved and asked unanimous consent that CSHB 117(JUD) be considered engrossed, advanced to third reading, and placed on final passage. There being no objection, it was so ordered.

CSHB 117(JUD) was read the third time.

The question being: "Shall CSHB 117(JUD) pass the House?" The roll was taken with the following result:

CSHB 117(JUD)

Third Reading

Final Passage

YEAS: 31 NAYS: 0 EXCUSED: 9 ABSENT: 0

Yeas: Buch, Chenault, Cissna, Coghill, Crawford, Dahlstrom, Doll, Doogan, Edgmon, Fairclough, Gara, Gardner, Gatto, Gruenberg, Guttenberg, Harris, Hawker, Johansen, Johnson, Joule, Kerttula, Lynn, Meyer, Nelson, Olson, Roses, Salmon, Seaton, Stoltze, Thomas, Wilson

Excused: Foster, Holmes, Kawasaki, Kelly, Kohring, LeDoux, Neuman, Ramras, Samuels

And so, CSHB 117(JUD) passed the House and was referred to the Chief Clerk for engrossment.

HB 121

The following was read the second time:

HOUSE BILL NO. 121

"An Act relating to release of information in individual workers' compensation records; and providing for an effective date."

with the:

Journal Page

L&C RPT CS(L&C) 4DP 3DNP	305
FN1: ZERO(ADM)	305
FN2: ZERO(LWF)	305

Representative Coghill moved and asked unanimous consent that the following committee substitute be adopted in lieu of the original bill:

CS FOR HOUSE BILL NO. 121(L&C)
(same title)

There being no objection, it was so ordered.

Amendment No. 1 was not offered.

Representative Coghill moved and asked unanimous consent that CSHB 121(L&C) be considered engrossed, advanced to third reading, and placed on final passage.

There was objection.

CSHB 121(L&C) will advance to third reading on the March 7, 2007, calendar.

LEGISLATIVE CITATIONS

Representative Coghill moved and asked unanimous consent that the House approve the citations on the calendar. There being no objection, the following citations were approved and sent to enrolling:

In Memoriam - Jerry Purser

By Representatives Gatto, Neuman, Harris, Chenault, Cissna, Coghill, Crawford, Dahlstrom, Doogan, Fairclough, Foster, Gara, Gardner, Gruenberg, Guttenberg, Hawker, Holmes, Johansen, Johnson, Joule, Kerttula, LeDoux, Lynn, Meyer, Nelson, Olson, Ramras, Roses, Salmon, Samuels, Seaton, Stoltze, Thomas, Wilson

In Memoriam - Doris Mary Daniels

By Representatives Gatto, Harris, Chenault, Cissna, Coghill, Crawford, Dahlstrom, Doogan, Fairclough, Foster, Gara, Gardner, Gruenberg, Guttenberg, Hawker, Holmes, Johansen, Johnson, Joule, Kerttula, LeDoux, Lynn, Meyer, Nelson, Neuman, Olson, Ramras, Roses, Salmon, Samuels, Seaton, Stoltze, Thomas, Wilson

In Memoriam - Don Dessieux Moore Sr.

By Representatives Gatto, Harris, Chenault, Cissna, Coghill, Crawford, Dahlstrom, Doogan, Fairclough, Foster, Gara, Gardner, Gruenberg, Guttenberg, Hawker, Holmes, Johansen, Johnson, Joule, Kerttula, LeDoux, Lynn, Meyer, Nelson, Neuman, Olson, Ramras, Roses, Salmon, Samuels, Seaton, Stoltze, Thomas, Wilson

In Memoriam - Barbara Louise Kunkel

By Representatives Gatto, Harris, Chenault, Cissna, Coghill, Crawford, Dahlstrom, Doogan, Fairclough, Foster, Gara, Gardner, Gruenberg, Guttenberg, Hawker, Holmes, Johansen, Johnson, Joule, Kerttula, LeDoux, Lynn, Meyer, Nelson, Neuman, Olson, Ramras, Roses, Salmon, Samuels, Seaton, Stoltze, Thomas, Wilson

In Memoriam - Andrew Lee

By Representatives Gruenberg, Harris, Chenault, Cissna, Coghill, Crawford, Dahlstrom, Doogan, Fairclough, Foster, Gara, Gardner, Gatto, Guttenberg, Hawker, Holmes, Johansen, Johnson, Joule, Kerttula, LeDoux, Lynn, Meyer, Nelson, Neuman, Olson, Ramras, Roses, Salmon, Samuels, Seaton, Thomas, Wilson

UNFINISHED BUSINESS

Representative Coghill moved and asked unanimous consent that the following members be excused from a call of the House. There being no objection, the members were excused as noted:

Representative Crawford - from 6:00 a.m., March 7 to evening plane time, March 12

Representative Fairclough - from 6:00 a.m., March 7 to evening plane time, March 11

Representative Olson - from 6:00 a.m., March 7 to evening plane time, March 11

Representative Roses - from 7:00 a.m. to 7:00 p.m., March 6

Representative Coghill moved and asked unanimous consent that the following members' excused absences be extended to morning plane time, March 12: Representatives Holmes and Kawasaki (page 347). There being no objection, it was so ordered.

HB 132

Representative Salmon added his name as cosponsor to:

HOUSE BILL NO. 132

"An Act designating the first Tuesday of May as Alaska Agriculture Day."

ENGROSSMENT

HB 117

CSHB 117(JUD) was engrossed, signed by the Speaker and Chief Clerk and transmitted to the Senate for consideration.

ANNOUNCEMENTS

House committee schedules are published daily under separate cover.

ADJOURNMENT

Representative Coghill moved and asked unanimous consent that the House adjourn until 10:00 a.m., March 7, 2007. There being no objection, the House adjourned at 11:40 a.m.

Suzi Lowell
Chief Clerk