

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

April 23, 2001

1:15 pm

**MEMBERS PRESENT**

Representative Beverly Masek, Co-Chair  
Representative Drew Scalzi, Co-Chair  
Representative Hugh Fate, Vice Chair  
Representative Joe Green  
Representative Mike Chenault  
Representative Lesil McGuire  
Representative Gary Stevens  
Representative Mary Kapsner  
Representative Beth Kerttula

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE CONCURRENT RESOLUTION NO. 17

Expressing the legislature's support for sale of a portion of Alaska's North Slope natural gas for electrical generation to power data centers within the North Slope Borough.

- HEARD AND HELD

HOUSE BILL NO. 249

"An Act relating to disposal of certain property acquired by the agricultural revolving loan fund."

- MOVED HB 249 OUT OF COMMITTEE

HOUSE BILL NO. 244

"An Act relating to a grant of state land to the Denali Borough for a railroad and utility corridor and a railroad development project; repealing provisions relating to a grant of a right-of-way of land for a railroad and utility corridor to the Alaska Industrial Development and Export Authority; and providing for an effective date."

- MOVED HB 244 OUT OF COMMITTEE

CONFIRMATION HEARINGS

Board of Fisheries

Dr. John R. White - Bethel  
Russell Nelson - Dillingham

- HEARD AND HELD

**PREVIOUS ACTION**

BILL: HCR 17

SHORT TITLE:SALE OF NATURAL GAS TO POWER DATA CENTERS

SPONSOR(S): RLS

Jrn-Date	Jrn-Page		Action
04/20/01	1096	(H)	READ THE FIRST TIME - REFERRALS
04/20/01	1096	(H)	RES
04/23/01		(H)	RES AT 1:00 PM CAPITOL 124

BILL: HB 249

SHORT TITLE:AG REVOLVING LOAN FUND PROPERTY DISPOSAL

SPONSOR(S): REPRESENTATIVE(S)JAMES

Jrn-Date	Jrn-Page		Action
04/20/01	1097	(H)	READ THE FIRST TIME - REFERRALS
04/20/01	1097	(H)	RES
04/23/01		(H)	RES AT 1:00 PM CAPITOL 124

BILL: HB 244

SHORT TITLE:RIGHT-OF-WAY TO DENALI BOR. FOR RR/UTIL.

SPONSOR(S): REPRESENTATIVE(S)JAMES

Jrn-Date	Jrn-Page		Action
04/11/01	0959	(H)	READ THE FIRST TIME - REFERRALS
04/11/01	0959	(H)	TRA, RES
04/17/01		(H)	TRA AT 1:00 PM CAPITOL 17
04/17/01		(H)	Heard & Held MINUTE(TRA)
04/19/01		(H)	TRA AT 1:00 PM CAPITOL 124
04/19/01		(H)	Moved Out of Committee MINUTE(TRA)
04/20/01	1094	(H)	TRA RPT 3DP 2NR
04/20/01	1094	(H)	DP: SCALZI, MASEK, KOHRING;
04/20/01	1094	(H)	NR: KOOKESH, KAPSNER

04/20/01	1094	(H)	FN1: (DNR)
04/20/01	1095	(H)	FIN REFERRAL ADDED AFTER RES
04/20/01	1103	(H)	COSPONSOR(S): HARRIS, WILSON
04/23/01	1151	(H)	COSPONSOR(S): SCALZI
04/23/01		(H)	RES AT 1:00 PM CAPITOL 124

**WITNESS REGISTER**

BOB EVANS

Netricity, LLC

Box 100384

Anchorage, Alaska 99510

POSITION STATEMENT: Provided opening remarks regarding Netricity's proposed project.

JAMES DODSON, Executive Vice President

Andex Resources, LLC;

Vice President, Netricity, LLC

(No address provided.)

POSITION STATEMENT: Presented Netricity's proposed project on the North Slope.

MARK MEYERS, Director

Division of Oil & Gas

Department of Natural Resources

550 W 7th Avenue, Suite 800

Anchorage, Alaska 99501-3560

POSITION STATEMENT: Presented the division's views on Netricity's proposed project.

KEVIN BANKS, Petroleum Market Analyst

Division of Oil & Gas

Department of Natural Resources

550 W 7th Avenue, Suite 800

Anchorage, Alaska 99501-3560

POSITION STATEMENT: Provided additional information regarding the division's study of natural gas.

PAUL FUHS, Lobbyist

Pacific Yukon Corporation

1635 Sitka Number 301

Anchorage, Alaska 99501

POSITION STATEMENT:

BARBARA COTTING, Staff

to Representative Jeanette James

Alaska State Legislature

Capitol Building, Room 214  
Juneau, Alaska 99801

POSITION STATEMENT: Testified on behalf of the sponsor of HB 249.

REPRESENTATIVE JEANETTE JAMES

Alaska State Legislature  
Capitol Building, Room 214  
Juneau, Alaska 99801

POSITION STATEMENT: Testified as the sponsor of HB 249 and HB 244.

CAROL CARROLL, Director  
Division of Support Services  
Department of Natural Resources  
400 Willoughby Avenue  
Juneau, Alaska 99801-1724

POSITION STATEMENT: Testified that DNR isn't certain that HB 249 corrects an oversight in [HB 116].

DEREK MORRIS, Farmer  
HC 30 Box 5329-AO  
Wasilla, Alaska 99687

POSITION STATEMENT: Testified in support of HB 249, but wants to ensure that the board obtains the maximum return to the state.

GARY STROMBERG, Farmer  
(No address provided.)

POSITION STATEMENT: Expressed concern with the RFP.

HARVEY BASKIN, Farmer  
(No address provided.)

POSITION STATEMENT: Testified in support of HB 249.

ROBERT FRANKLIN, President  
Alaska Farm Bureau  
PO BOX 75184  
Fairbanks, Alaska 99707

POSITION STATEMENT: Testified in support of HB 249.

RACHEL HECKER  
PO Box 870349  
Wasilla, Alaska 99687

POSITION STATEMENT: Testified to the need to have open competitive bidding.

TODD HECKER  
PO Box 870349

Wasilla, Alaska 99687

POSITION STATEMENT: Testified on the need to dispose of the  
[Point MacKenzie] properties.

MARK BROUILLET

PO Box 877465

Wasilla, Alaska 99687

POSITION STATEMENT: Testified in support of HB 249.

DAVID HECKER, Partner

Black Sun Farms

PO Box 870349

Wasilla, Alaska 99687

POSITION STATEMENT: Testified on HB 249.

CRAIG TRYTTEN, Dairy Farmer

(No address provided.)

POSITION STATEMENT: Testified in support of HB 249.

JOSEPH FIELDS, President

Kantishna Holdings, Inc.

PO Box 71047

Fairbanks, Alaska 99707

POSITION STATEMENT: Testified in support of HB 244.

NANCY BALE, President

Denali Citizens Council

PO Box 240054

Anchorage, Alaska 99524

POSITION STATEMENT: Expressed concerns.

LINDA PAGANELLI

(No address provided.)

POSITION STATEMENT: Testified in opposition to HB 244.

JOAN FRANKEVICH, Regional Staff

Alaska Regional Office

National Park Conservation Association

POSITION STATEMENT: Testified in opposition to HB 244.

DR. JOHN R. WHITE, Appointee

Alaska State Board of Fisheries

PO Box 190

Bethel, Alaska 99559

POSITION STATEMENT: Testified as appointee to the Board of Fisheries.

RUSSEL NELSON, Appointee  
Alaska State Board of Fisheries  
PO Box 161

Dillingham, Alaska 99576

POSITION STATEMENT: Testified as appointee to the Board of Fisheries.

PAUL A. SHADURA II, Self-appointed Board of Fisheries nominee  
PO Box 1632

Kenai, Alaska 99611-1632

POSITION STATEMENT: Presented the House Resources Standing Committee with reasons to consider him for a position on the State of Alaska Board of Fisheries, after briefly testifying in opposition to the reappointment of Dr. John White.

JUDE HENZLER, Executive Director  
Bering Sea Fishermen's Association (BSFA)  
725 Christensen Drive  
Anchorage, Alaska 99501

POSITION STATEMENT: Testified in support of the reappointment of Dr. John White and Mr. Russell Nelson to the Board of Fisheries.

ROBERT WILLIAMS  
PO Box 206  
Kasilof, Alaska 99610

POSITION STATEMENT: Spoke in opposition to the reappointment of Dr. John White to the Board of Fisheries.

KEN LARSON  
1074 Eliz Street  
North Pole, Alaska 99705

POSITION STATEMENT: Testified in support of the reappointment of Mr. Nelson and Dr. White to the Board of Fisheries.

VIRGIL UMPHENOUR  
878 Lynnwood Way  
North Pole, Alaska 99705

POSITION STATEMENT: Testified in support of the reappointment of Mr. Nelson and Dr. White to the Board of Fisheries.

PATRICK BOOKEY  
PO Box 55194  
North Pole, Alaska 99705

POSITION STATEMENT: Testified in support of the reappointment of Mr. Nelson and Dr. White to the Board of Fisheries.

CARL ROSIER, President  
Alaska Outdoor Council (AOC)  
8298 Garnet Street  
Juneau, Alaska 99801

POSITION STATEMENT: Testified in support of the reconfirmations of Mr. Nelson and Dr. White.

REUBEN HANKE  
PO Box 624  
Kenai, Alaska 99611

POSITION STATEMENT: Testified in support of the reconfirmations of Mr. Nelson and Dr. White.

JOE HANES  
PO Box 3132  
Soldotna, Alaska 99669

POSITION STATEMENT: Testified in support of the reconfirmations of Mr. Nelson and Dr. White to the Board of Fisheries.

DREW SPARLIN  
37020 Cannery Road  
Kenai, Alaska 99611

POSITION STATEMENT: Testified in opposition to the reappointment of Dr. John White to the Board of Fisheries.

AUSTIN AHMASUK  
PO Box 1292  
Nome, Alaska 99762-1292

POSITION STATEMENT: Recommended Dr. John White and Mr. Russell Nelson for confirmation to the Board of Fisheries.

**ACTION NARRATIVE**

TAPE 01-40, SIDE A  
Number 0001

CO-CHAIR BEVERLY MASEK called the House Resources Standing Committee meeting to order at 1:15 p.m. Representatives Fate, Green, Chenault, Stevens, Masek, and Scalzi were present at the call to order. Representatives McGuire, Kapsner, and Kerttula arrived as the meeting was in progress.

HCR 17-SALE OF NATURAL GAS TO POWER DATA CENTERS

CO-CHAIR MASEK announced that the first item of business would be HOUSE CONCURRENT RESOLUTION NO. 17, Expressing the legislature's support for sale of a portion of Alaska's North Slope natural gas for electrical generation to power data centers within the North Slope Borough.

Number 0150

BOB EVANS, Representative, Netricity, LLC, informed the committee that Netricity is a company that was formed to place an Internet data center on the North Slope by using Alaska natural gas to generate the power for the data center. Mr. Evans remarked that projects such as this don't come along often, but when they do it is important for the state to review the following. Firstly, do the people have the credibility to do what they say they are going to do. Secondly, do they have the finances to do what they propose. Thirdly, will they have a commitment to Alaska that will benefit Alaska. He felt that after the presentation, the committee will agree that this is an exciting opportunity for Alaska.

Number 0309

JAMES DODSON, Executive Vice President, Andex Resources, LLC; Vice President, Netricity, LLC, testified via teleconference. He informed the committee that the ownership of Netricity, LLC, is currently 75 percent MDU Resources Group and 25 percent Andex Resources, LLC. Andex Resources, LLC, is a private company that is primarily engaged in natural gas exploration and production. Netricity, LLC, is interested in building a power plant on the North Slope co-located with the natural gas reserves located in or near the Prudhoe Bay unit. The purpose would be to utilize the electricity generated on the North Slope in data centers packed with computes that host websites and process data over the Internet. Those computers would be connected with the Lower 48 and Asia via fiber optics that already exists between Alaska and the Lower 48 and Asia.

MR. DODSON explained that the plan would be to purchase up to 118 million cubic feet (MCF) of natural gas per day from the State of Alaska out of its royalty share of gas. That amount of gas would sufficient to power approximately a 500-megawatt facility, which amounts to more power than the City of Anchorage consumes. He noted that [Netricity, LLC] is looking at a 600,000 to 1 million server size facility in excess of 1 million square feet in size. That size facility is currently being permitted in the Silicon Valley area by US Dataport.

MR. DODSON expressed the belief that Alaska is uniquely poised to take advantage of this opportunity because it has a large amount of natural gas that is underutilized on the North Slope and has a "stout" fiber-optic connection between the Lower 48 and Asia. Furthermore, the North Slope has the ambient cooling and dry weather that any data center would want. The North Slope also has tremendous physical site security because there is basically one access road. The ability to strictly control access to Internet data centers is very important. Furthermore, the reliability of power is very important because one of the largest problems faced by Internet data centers in the Lower 48 is the lack of available power. Moreover, the power being utilized in the Lower 48 is power that isn't really designed for the data centers; the power isn't clean or constant. Therefore, Mr. Dodson felt that isolating this function on the North Slope could provide a quality advantage, a cost advantage, a physical security advantage, and a cooling advantage in comparison to the Lower 48.

Number 0785

MR. DODSON, in response to Representative Fate, reiterated that this data center would use approximately 118 mcf of gas a day. The current plans for moving gas off the North Slope are in the neighborhood of 4 bcf (billion cubic feet) a day pipeline and thus Netricity would be one-fortieth of that number. However, Netricity's use would be on the North Slope and wouldn't detract or displace any gas going into the pipeline.

REPRESENTATIVE FATE asked if that amounts to about one-quarter of that 12.5 percent royalty. Representative Fate explained that he was basing that on 4 bcf. He also inquired as to the exact share of the 12.5 percent royalty on gas that the state currently enjoys.

MR. DODSON answered that approximately 8 bcf a day is being funneled through Prudhoe Bay today. Therefore, Netricity would be looking at one-eightieth of that amount. The state's share of that 8 bcf a day amounts to roughly 1 bcf a day and thus Netricity would be looking at one-tenth of that amount.

Number 0923

REPRESENTATIVE GREEN inquired as to the location of this and inquired as to what would be done with the power that is generated.

MR. DODSON explained that the power would go to a data center that is located approximately 100 feet to .5 mile maximum from the power plant. The data center would use the power right there on the North Slope. Mr. Dodson related the basic theory that it doesn't make sense to push gas, for example, from Texas to New York to burn in a power plant that powers a data center in New York when the light, that data in the form of photons, could be sent [to the location of the power]. Therefore, the location of the Internet data host doesn't matter but rather it's important to be able to move the electrons to the location where the computers are being powered. So, some of Alaska's former disadvantages, its remoteness, colder climate, and large isolated gas supply, are viewed as advantages for this project.

REPRESENTATIVE GREEN related his understanding that 500 megawatts would be a "mammoth" communication center.

MR. DODSON agreed. Depending upon the size of the servers and processors and their individual process demands, he estimated that there would be between 600,000 to 1 million servers and computers working in this facility. In further response to Representative Green, Mr. Dodson explained that the data would arrive via a GCI system that goes from Seattle to Anchorage and round to Valdez on to the Trans-Alaska Pipeline to Fairbanks. Then there would need to be a smaller fiber-optic system that would have to be dug from Fairbanks to the Prudhoe Bay field. Another route would be the World Communications Infrastructure, Inc., (WCI) that moves from Fairbanks along the Alaska Railway system, down to Anchorage, out to sea, and down to Portland. Both the GCI and WCI lines have connections to the North Pacific cable to Asia, specifically Japan.

MR. DODSON, in response to Representative Green, informed the committee that based on discussions with GCI and what Netricity views as dry land changes - merely a switching of gear - Netricity believes that there will be sufficient capacity and redundancy to handle the data traffic from the facility envisioned.

REPRESENTATIVE GREEN inquired as to the royalty gas purchase price rate.

MR. DODSON answered that the price has yet to be negotiated with the commissioner of the Department of Natural Resources, if the contract is finalized and approved by the legislature. Mr. Dodson said that there has been review as to when a pipeline

would be installed on the North Slope and its volumes. From that, a net present value of natural gas was determined for a typical 1,000 cubic foot unit on the North Slope at a 10 percent discount. The following three scenarios were developed: 65 tcf (trillion cubic feet) moving out at 2.5 bcf a day; 65 bcf moving out at 4.0 bcf a day; 35 tcf moving out at 4.0 bcf a day. From those the highest net present value for the gas currently was determined to be \$.36. When that number, \$.36, was presented to the Division of Oil & Gas, the department's economist said that it has to determine what gas is worth in the natural gas market. However, Netricity doesn't see a natural gas market to tie to and thus the aforementioned scenarios were utilized. Although selling into Chicago is a different market than selling on the North Slope, it was difficult to determine how else to develop a number.

Number 1355

REPRESENTATIVE GREEN referred to page 2 of HCR 17, which refers to "substantial added value to Alaska's natural gas resources". Although he wasn't sure what "substantial" is, he suggested that \$.36 is somewhat low. Therefore, he asked if Netricity is prepared to move forward if the cost is higher.

MR. DODSON, in response to whether the project would still be workable at \$.72, said that the numbers would have to be run again. Although he said that it could probably work, he noted that other factors come into play such as the debt the company could obtain and whether the North Slope Borough would help the company underwrite some notes to lower costs. Mr. Dodson pointed out that the ability to bring the data centers to the North Slope is inversely proportionate to the cost of the electricity. Therefore, the lower the cost of the gas, the lower the cost of the electricity, which increases the likelihood of placing a data center at the North Slope. However, in the end the Internet data center market will be the determining factor.

MR. DODSON pointed out that the \$.36 was not an attempt to low ball the project but rather it was based on discount scenarios based on what was viewed as possible pipeline scenarios. Furthermore, Netricity would be competing with a different market [because] the gas would be used on the North Slope. Mr. Dodson informed the committee that he had attended a conference on Arctic gas at which Governor Knowles estimated that Alaska has around 70 years worth of gas to move out at 4 bcf a day. Therefore, regardless of what Netricity does or doesn't do on

the North Slope, 4 bcf a day will move out. If Netricity is able to come in and create an incremental one-tenth of a bcf a day market, basically Netricity would be using gas that is cued to move forward. Since there is so much gas waiting to move down the pipeline, Netricity is saying that it can turn it into cash now while employing Alaskans, adding value to the resource, and placing Alaska in the position of being a major node on the Internet.

REPRESENTATIVE GREEN reiterated that his concern is in regard to the "substantial added value". He noted that gas sales to the Mid-continent (ph) are perhaps only one of three alternative under review. Representative Green said that he merely wanted to be sure that the project wasn't hinging on a fairly low value.

Number 1678

MR. DODSON, in response to Representative Stevens, estimated that there would be between 250-300 full-time jobs if the power plant can reach 500 megawatts and the data center is fully built. Those jobs will be on a schedule similar to that used by the oil industry, a two weeks on/two weeks off schedule.

REPRESENTATIVE STEVENS asked if there is any commitment to train and employ Alaskans.

MR. DODSON replied yes and remarked that there are two major opportunities. First, there is the opportunity to bring in Native Alaskans and allow them to train at the University of Alaska. The work would mainly be swapping out boards and power supplies when things fail. Second, if Native Alaskans can be utilized for this employment, they could have the opportunity to access both the cash economy and the subsistence economy. That is with a two weeks on/two weeks off schedule, Native Alaskans can maintain more of a Native lifestyle while still accessing a cash economy.

MR. DODSON, in response to Representative Fate, answered that the 500 megawatts and the 118 mcf are peak loads. Therefore, the data center wouldn't run at that capacity all the time.

Number 1834

MARK MEYERS, Director, Division of Oil & Gas, Department of Natural Resources, testified via teleconference. On the surface Netricity's proposal is "a neat idea" and the division is

delighted with the possibility of selling gas on the North Slope. Although there is no initial opposition to the sale of North Slope gas, there is [a question] as to what that gas is worth. In order to provide a baseline, Mr. Meyers informed the committee that gas is sold to run utilities and to help fund TAPS [and from that the division] receives \$1.12 in mcf. Therefore, the \$.36 proposed by Netricity is roughly 25 percent of what is received from the current gas sales on the North Slope and is 10 percent less than the current retail value of that gas in Chicago. Mr. Meyers said that the real question is how one evaluates large, significant volumes of gas. "Certainly, if we were to value it under what we could competitively get for the gas, it would be a substantial subsidy, on the order of tens of millions of dollars potentially, which would go directly against royalty value that again, is money directed to the permanent and general fund," he said. Therefore, there is the challenge to [find] a realistic and fair valuation mechanism for this major sale of gas while [dealing] with a long-term contract. A long-term option would be difficult without having a better handle on the valuation of North Slope gas.

Number 1949

KEVIN BANKS, Petroleum Market Analyst, Division of Oil & Gas, Department of Natural Resources, testified via teleconference. Mr. Banks mentioned that when he first heard of Netricity's proposal he viewed it with skepticism, which has since grown into excitement. There is real merit in what Netricity wants to do. However, "It all depends on the price," he said. At this point, there are many proposals for sales of North Slope gas and it seems that the state is in a somewhat uncertain position in regard to what will move forward. Mr. Banks informed the committee that as part of the fast track budget and the governor's initiative to commercialize natural gas on the North Slope, the division has proposed a couple of studies that will look at the in-state demand for natural gas, how royalty in-kind gas might be used to meet that demand, and the important mechanisms that should be considered when developing the value of the natural gas. Although these studies haven't begun, funding has been received for part of them. The division intends to develop an RFP and move forward on these studies soon. Mr. Banks pointed out that a best interest finding is required in any disposition of royalty oil in-kind. Therefore, these studies will support the findings that the commissioner will have to make before selling the gas. For those reasons, the division intends to move forward and will include data

centers as a potential in-state demand in the study of future demand.

REPRESENTATIVE McGUIRE inquired as to how long the aforementioned study would take.

MR. MEYERS answered that the intent is to have the information [from the study] available in the November/December timeframe, which is when the division hopes to hear from the producers.

Number 2199

PAUL FUHS, Lobbyist, Pacific Yukon Corporation, testified in support of [HCR 17]. Mr. Fuhs said that he would raise some issues that relate directly to this resolution as well as to a gas line development project. In regard to why this resolution is even necessary, Mr. Fuhs pointed out that the producers have been unwilling to sell Alaska's gas to anybody, including anyone in the area because it would establish a well-head value. However, the producers sell gas between themselves from which the state receives no royalty value. Although [the producers] testified in the House Special Committee on Oil and Gas that the gas line isn't economic, they had no well-head value on which to base [that statement]. Additionally, the House Special Committee on Oil and Gas heard testimony that the realignment on the North Slope, between the differing oil and gas ownership, hasn't taken place because a couple of companies have objected. Furthermore, there is not a gas balancing agreement between the companies that would even allow a gas sale. Therefore, all the barriers to the sale of gas on the North Slope remain.

MR. FUHS then turned to the state royalty gas. He recalled testimony from the department that royalty gas is being sold on the North Slope. However, he understood that the state couldn't have any access to its royalty gas until it left the hydrologic unit. Perhaps being on the North Slope is considered to be on the hydrologic unit. Therefore, Mr. Fuhs pointed out that all the state's lease gas is locked up on the North Slope as well as all the state's royalty gas. Mr. Fuhs said, "Maybe the department could negotiate a side deal with this company for access to the gas or maybe it's considered to not be leaving the hydrologic unit." These are some the issues that will continue to be raised with other legislation. However, Mr. Fuhs clarified that he didn't believe that HCR 17 should be delayed because the legislature will have the ultimate say with a royalty gas sale.

Number 2368

REPRESENTATIVE McGUIRE recalled a conversation with Mr. Dodson regarding the construction employment that this proposed project would bring to the North Slope. She requested that he provide the committee with that information.

MR. DODSON informed the committee that a modular building expertise has been developed in Anchorage and Nikiski. He explained that modularization, to the extent possible, is important on the North Slope. Mr. Dodson noted that he expected the turbines to come out of the Houston Ship Channel to be shipped to the North Slope. There is also the expectation that the data centers will be built on a modular basis in either Anchorage or Nikiski or both areas.

Number 2439

REPRESENTATIVE STEVENS asked if other industries beside the data centers would find it appropriate to locate at the site of the energy source.

MR. BANKS answered that he thought of a gas to liquids project in which liquids can be manufactured and pumped along with the oil [on TAPS].

MR. MEYERS pointed out the long-term possibility of the efficiency in the generation and transmission of electricity. That is, superconductivity would allow electricity to be transmitted over long distances without losing power.

Number 2519

REPRESENTATIVE FATE asked if the projections have built in any surplus energy for local use or for the possibility of the aforementioned break through in technology for transmission.

MR. MEYER answered that [the department] is looking at that in terms of the study that is being done now. Although this Netricity idea caught the department by surprise, it is an intriguing idea. Mr. Meyer said, "The other ... thing to think on the North Slope too is we see a lot of up-side potential for additional gas other than the gas at Prudhoe." For example, in the North Slope Foothills or the Point Compton Fields. "We want to encourage additional exploration for other supplies and development of other currently known reserves. So, all this could fit in the equation," he said. However, the challenge is

the proposed \$.37 mcf price, a price that every community would love to have. The challenge is to have a fair methodology for supplying gas. He noted that the demand study is supposed to encompass gas at various prices. Once the value of the gas is known, then the demand can be "reverse engineered" because the cheaper the gas, the more demand is created.

MR. DODSON informed the committee that Netricity's plan anticipates putting in place 14 turbines with 45 megawatts, of which 11 turbines will have 495 megawatts, which is full usage. Of the three other turbines, at least one would be turning full time, which would allow the sale of interruptible power and the ability to pick up any drop in power from the landline turbines when going offline. He indicated that the second turbine could run and service the local market, which he didn't foresee increasing above 20 megawatts. Therefore, there would be excess generating capacity on the North Slope.

Number 2698

REPRESENTATIVE GREEN remarked that he didn't recall ever passing a resolution that named a specific company as in HCR 17. Therefore, he mentioned the possibility of on page 1, line 8, deleting "Netricity, L.L.C., an Alaska limited liability company is seeking to" and inserting, "there have been several expressed interests". Such a language change would eliminate the state predetermining an interest in a specific company. He asked if that would be problematic.

MR. EVANS related his belief that there hasn't been other expressions of interest to place an Internet data center on the North Slope. Mr. Evans pointed out that HCR 17 is a resolution, not legislation, and as such is merely an effort to suggest to the administration that the legislature believes that this is an opportunity to negotiate with Netricity in order to determine the price. Therefore, Mr. Evans said that naming Netricity is useful because it is the only company suggesting such a use and desire to enter into negotiations with the state.

MR. EVANS pointed out that the problem of Internet data centers not having enough energy in the Lower 48 is a problem begging for a solution. The solution, in the form of HCR 17, is a solution that he suggested Alaska move on relatively quickly. He informed the committee that the Tennessee Valley Association sees itself as a solution to the lack of energy for Internet data centers in the Lower 48 as do other areas in the Lower 48. Furthermore, the trapped gas in Canada is a potential solution

to this problem. Therefore, failing to move quickly in this area may result in the lose of an opportunity.

REPRESENTATIVE GREEN said that rushing in at a rate that is later found to be much higher would do a gross disservice to the people of Alaska. Therefore, he was nervous with the notion of grabbing it now or else it will be gone. Such a notion was heard in relation to the merger, but it was "a bag of garbage." In response to Mr. Evans' point that Netricity is the only company that has come forward with such a proposal, Representative Green suggested that his aforementioned language change on page 1, line 8, be in the singular: "has had an expressed interest". He maintained his concern with the state specifying favor of a specific [company] in a resolution.

MR. EVANS turned to the price issue and pointed out that the resolution doesn't contain anything about the price. Netricity wants to negotiate with the state in order to reach an appropriate price. In regard to [Representative Green's language change], Mr. Evans left that to the committee's discretion while pointing out that Netricity has made the effort to come to Alaska in order to make this opportunity available to themselves [as well as the state].

TAPE 01-40, SIDE B

MR. EVANS continued, "... to have the opportunity to at least have some ownership of this notion as we talk about it in the state."

CO-CHAIR MASEK announced that she was closing the public discussion of HCR 17 and opening up committee discussion. She inquired as to Representative Green's intent with his proposed change.

REPRESENTATIVE GREEN explained that he was attempting to determine whether the resolution had to include Netricity's name. Now that the public discussion has been closed, Representative Green announced that he would offer his previous language change as an amendment.

CO-CHAIR MASEK announced that she is opposed to the amendment because as Mr. Evans said, this is merely a resolution that doesn't bind the legislature. Furthermore, whatever business that results from this resolution will have to be worked through the administration and the legislative body. Co-Chair Masek

noted her support of HCR 17 because it brings jobs and dollars to the state and it opens new doors for the state.

REPRESENTATIVE FATE suggested that the concern could be resolved by inserting "the concept of" on page 2, line 2, after "supports".

CO-CHAIR MASEK, in response to Representative Stevens, clarified that [Representative Green's] amendment is before the committee to which she objected.

REPRESENTATIVE GREEN clarified his amendment as follows:

Page 1, line 8,  
Delete "Netricity, L.L.C., an Alaska limited  
liability company is seeking"  
Insert, "there has been an expressed interest"

REPRESENTATIVE STEVENS said that he believes he understands Representative Green's concern, which he shares. "I think it's a little disingenuous to say we're ... going to throw this company's name in there ..., but we don't really mean it. That's not really the case. If we pass the resolution that has the company's name in it, it has significance" he remarked. Perhaps the amendment could be changed such that it uses language that says "there have been companies such as Netricity who are interested." Representative Stevens expressed the need to direct the administration to review all firms that may be interested.

Number 2729

REPRESENTATIVE FATE reiterated his suggestion that on page 2, line 2, after "supports", the language "the concept of" could be inserted in order to allow more "wiggle room."

REPRESENTATIVE GREEN said that still "smacks back to selling to Netricity." He reiterated that he has never seen specific companies specified in resolutions. He felt that language imparting that the "DOG" of DNR is in favor of this would strengthen this significantly and perhaps may be more important than specifying a company.

MR. MEYERS remarked that he shared Representative Green's concern. He identified the challenge as which gas is sold first. When the netback from Chicago is reviewed in order to calculate how \$.37 is determined, then the value of that gas has

to be discounted well into the future. He used the following example to illustrate how the \$.37 was determined:

Suppose you were out to buy a new car and you went to the car lot and there were ten brand new cars of the same type sitting on the lot. And you negotiate with the car salesman saying, "I'm not going to buy the car that's going to sell this year. I know all those ten cars, you're not going to sell one for five years. Therefore, I'm going to give you a lot less value for that car because that car isn't going off the lot for five years."

MR. MEYERS pointed out that everyone would want to be in that position, which is a challenge. He related his belief that if the gas were sold at Netricity's heavily reduced rate, many others would develop creative situations to purchase gas. Mr. Meyers reiterated that he would have concerns if [the resolution's language] is giving a clear indication that a specific project has priority over another's because the full evaluation necessary to [determine] the value hasn't been done. He posed the question: "Does this legislation [HCR 17] give them [Netricity] a competitive advantage on the North Slope in purchasing royalty gas?"

Number 2365

CO-CHAIR MASEK announced that her staff would work with the sponsor of HCR 17, which will be before the committee with some positive amendments on Wednesday. This is an important issue for the state. [HCR 17 was held.]

#### HB 249-AG REVOLVING LOAN FUND PROPERTY DISPOSAL

CO-CHAIR MASEK announced that the next order of business would be HOUSE BILL NO. 249, "An Act relating to disposal of certain property acquired by the agricultural revolving loan fund."

BARBARA COTTING, Staff to Representative Jeanette James, Alaska State Legislature, pointed out that the committee packet should include a copy of SLA 2000, Chapter 81, which is last year's HB 116. Ms. Cotting explained that HB 249 corrects an oversight in last year's HB 116, which created the Board of Agriculture and Conservation. Last Fall the board was selected and has been meeting on a monthly basis ever since. The board and its attorney from the Department of Law were in the second phase of drafting regulations authorized by the new statute when they

discovered a problem. She directed the committee's attention to the bottom of page 9 of SLA [2000 Chapter 81]. There the last line says, "Disposal shall be conducted under regulations approved by the commissioner." That language is changed in HB 249 to say, "Disposal shall be conducted under regulations adopted by the board." This change would allow the Board of Agriculture and Conservation to continue functioning in accordance with original legislative intent.

Number 2180

REPRESENTATIVE JEANETTE JAMES, sponsor of HB 249, explained:

When we made the board be responsible for the agricultural revolving loan fund that is under their purview. And then when it comes to them disposing of land that is in there because it's been repossessed ... so they have assets in this, that they should determine the way that they would dispose of those as they are managing the [agricultural] revolving loan fund.

Representative James acknowledged that there is an argument that the Department of Agriculture, under which the agricultural revolving loan fund (ARLF) falls, should have some oversight by the commissioner. She said that she is willing to work with the department on that issue.

REPRESENTATIVE JAMES pointed out that the Director of Agriculture is also the hired person for the Agricultural Board. Representative James also pointed out, "It's very interesting to note that this same money that they're supposed to be in control over, we spend every year just to pay for the people who work in the Division of Ag." Although this has been a sore spot with many farmers, she didn't see any immediate future in moving beyond that. Therefore, this will only work if there is cooperation with everyone.

Number 2032

CAROL CARROLL, Director, Division of Support Services, Department of Natural Resources (DNR), acknowledged that although DNR has not had much time to review HCR 17, she and Representative James have been discussing the resolution. Ms. Carroll mentioned that she had made some comments to Representative James regarding the connections between the executive branch boards and the regulations, the rule-making

body. She agreed on the importance to work jointly, which is intended. Therefore, she and the department are looking into a way to say such so that an agreement can be reached.

REPRESENTATIVE GREEN asked if Ms. Carroll viewed HB 249 as a correction for an oversight [of HB 116].

MS. CARROLL answered that she wasn't certain that HB 249 corrects an oversight and thus she is present.

Number 1949

DEREK MORRIS, Hay Farmer, testified via teleconference and mentioned that he wants to purchase a parcel at Point MacKenzie. Mr. Morris announced that he is in support of HB 249. However, he expressed concern with the language on page 1 that says, "The regulations must ensure that the property is disposed of so as to maximize the return to the state". He related his understanding that possibly there are some request for proposals (RFPs) for property for which the appraisals being used are four years old. Therefore, it seems that if the state sells the property based on those appraisals, the state won't receive its proper return on their parcels. He said that the ARLF needs to have those funds in order to have other agricultural activities. Mr. Morris concluded by reiterating that he supports HB 249, but he wants to ensure that the board obtains the maximum return to the state.

GARY STROMBERG testified via teleconference. He informed the committee that he has been a farmer at Point MacKenzie for 18 years. Mr. Stromberg expressed concern with the recent actions with the RFP in which there have been attempts to designate who receives properties with values that are different than market value. Whatever rules are established must conform with state law and thus maximize the return to the state. Mr. Stromberg noted that he sent a letter to Representative James regarding the problems there have been with the [Division] of Agriculture. He felt that some rules have to be developed so that farmers aren't turned against each other or it would be better not to have a [Division] of Agriculture.

Number 1760

HARVEY BASKIN testified via teleconference and informed the committee that he is one of the original farmers at Point MacKenzie. Although he is a member of the Board of Agriculture and Conservation, he is speaking as a farmer. Mr. Baskin noted

his support of HB 249 because it clarifies the intent of HB 116. He related his understanding that the Board of Agriculture and Conservation was appointed to manage, monitor, and have input on all disposals of agricultural land. However, if part of that authority lies in another state office, then it is difficult for a buyer or board member to answer to two bosses. He inquired as to which set of regulations would one abide by when making decisions. Therefore, he stated that the authority to dispose of state land with a maximum value is one of the primary responsibilities of the board and the people who help supervise the management of the land. Mr. Baskin related his belief that outcry bidding is probably the fairest process.

Number 1619

ROBERT FRANKLIN, President, Alaska Farm Bureau, testified via teleconference in support of HB 249. The original legislative intent was for the board to control the entire fund, everything that is included under the definition of property. Mr. Franklin expressed concern with maximizing the return to the state. In that regard, he agreed with Mr. Baskin that outcry bidding does establish the value of it. However, the Point MacKenzie land will probably be in a [price] range that exceeds [what one would pay for] agricultural purposes.

Number 1498

RACHEL HECKER testified via teleconference and noted that although she is the Mat-Su representative for the Alaska Farmers Union, today she is speaking as the newest dairy farmer at Point MacKenzie. Ms. Hecker expressed concern with the lease tracts that were "given over" without due process, that is [farmers] weren't allowed to bid on them. Since those weren't put out to competitive bid, the state's return wasn't maximized. Ms. Hecker informed the committee that she was told late last year, early this year that she could bid on those lease properties in the Spring just like everyone else. However, at the last board meeting it was stated that there was no one interested in those lease properties and thus it was in the board's best interest to return the land to those that were leasing them. Therefore, Ms. Hecker expressed her desire to sell the land in an open and competitive bid process and the land that can't be sold yet, should be leased to the highest bidder.

TODD HECKER testified via teleconference and agreed with his wife that he would like to have the opportunity to bid on the [Point MacKenzie] land, which was clearly brought forth at the

[board] meeting although [the board] didn't acknowledge it. Mr. Hecker explained that he purchased his land, a bare piece of property, for \$400,000 and placed \$.5 million worth in buildings on the property because the state has "forced our hand to do that." When he first moved to this location, he was told that another place would be for sale, which has been the case for the past four years. This is a piece of property for which [the board] is planning on using an RFP. Those practices shouldn't happen that way. He charged that there is much property being held in order to justify jobs. Mr. Hecker said, "If the state's going to maximize their benefits out of this and their price, they should sell it now because the market is as good as it's ever going to be down there and the last sales have proved that."

Number 1230

MARK BROUILLET testified via teleconference. He began by saying that he has been interested in acquiring some property at Point MacKenzie, but he has run into some problems. Therefore, he felt that HB 249 may help alleviate some of his concerns.

DAVID HECKER, Partner, Black Sun Farms, testified via teleconference that he is interested in bidding on land at Point MacKenzie. Mr. Hecker noted that during the last bidding process he bid on Number 10, which was appraised at \$240,000 and sold to someone else for \$305,000. That is money in the state's pocket.

CRAIG TRYTTEN, Dairy Farmer, testified via teleconference. Mr. Trytten stated his support of HB 249 so that the state could receive the best return on its dollar. He agreed that the appraised value [used for the RFP] is four years old; however, those are "kind of a minimum bid." He said, "It also discriminates against any other Alaskan without a dairy ability from being held off from buying a farm." Furthermore, the intent of the board was to obtain the maximum return for the state. Mr. Trytten informed the committee that he just completed building a new dairy farm and his barn cost as much as the appraised value on the farm to be sold. If a deal is cut to sell a \$1 million piece of property for \$.5 million, it is a great loss to the state and it lowers the value of his property, which is determined by the average sale price of the land. Mr. Trytten expressed his desire to have an open public bid in which the [highest bidder] takes the land. He emphasized the problems that occurred when the government has the land at Point MacKenzie.

CO-CHAIR MASEK closed public testimony on HB 249.

Number 0925

REPRESENTATIVE FATE moved to report HB 249 out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, HB 249 was reported from the House Resources Standing Committee.

HB 244-RIGHT-OF-WAY TO DENALI BOR. FOR RR/UTIL.

CO-CHAIR MASEK announced that the next order of business would be HOUSE BILL NO. 244, "An Act relating to a grant of state land to the Denali Borough for a railroad and utility corridor and a railroad development project; repealing provisions relating to a grant of a right-of-way of land for a railroad and utility corridor to the Alaska Industrial Development and Export Authority; and providing for an effective date."

Number 0857

REPRESENTATIVE JEANETTE JAMES, Alaska State Legislature, testified as the sponsor of HB 244. This legislation, HB 244, would "undo" the authority Alaska Industrial Development and Export Authority (AIDEA) has to bond to identify a corridor for rail in the north access to Denali National Park. She pointed out that the committee packet includes maps, which illustrate this 90,000 acre piece of property that is next to Denali Park. This property is state land and is also known as "Wolf Township." Representative James explained that "we" are attempting to gain other access into the park because the current access is insufficient, at capacity, and in need of improvement. Therefore, a second entrance to the park would be valuable. However, she stressed that she doesn't favor a road due to all the problems a road would create [in a park setting]. This proposal merely provides an opportunity for rail access to only the state lands, which is about 40 miles from Healy. Although there may be some interest in going farther, it would require federal intervention and much work. Furthermore, the group interested in putting in this 40 miles of rail indicates that this is an opportunity to be a "paying proposition."

REPRESENTATIVE JAMES explained that HB 244 would identify a swath from the 90,000 acre piece of land and give it to the Denali Borough so that the borough could identify and survey a route through the middle. The borough would have until 2006 to

identify and survey that route, after which the borough would only own the route, which would be up to 3,500 acres. The reality is that the corridor would require merely 1,500 acres. Representative James acknowledged that some are concerned with the location of the corridor. Furthermore, the Department of Natural Resources (DNR) would prefer authorizing the borough to identify the corridor and return to DNR in order to ensure that there are no existing uses, which would result in conflicts. Once DNR approved the corridor, then the surveying could be done, after which DNR could transfer the land to the Denali Borough. Representative James clarified, "That is the amendment that we're going to be working on to try to get a CS up to Finance, but because we're on an extended timeframe here, we'd like to move the bill out as it is today."

REPRESENTATIVE JAMES, in response to the concern regarding why 40,000 acres is necessary for this, pointed out that the route would have to traverse the lay of the land and proceed such that animal and habitat conflicts are avoided. Therefore, a wide area is necessary. She then turned to the concern regarding the possibility that the land is given to the Denali Borough, but no railroad is built. Therefore, it was decided that this [the corridor land] will be part of the borough's land selection. Representative James informed the committee that the Denali Borough Assembly is in support of this proposition, HB 244. She noted that she would be in the area this summer working to ensure that this corridor would not intrude on state park land.

Number 0382

REPRESENTATIVE JAMES informed the committee that U.S. Senator Murkowski got \$1.32 million appropriated by the federal government to work on this issue. There was a park survey [by the Park Service] who did support the northern access. The state needs a match of \$330 million, which she believes will be included in this year's capital budget. Therefore, there will be money to perform the environmental assessment and the environmental impact study (EIS). Representative James said, "I think the protection for the listening to the voices of the folks is in there in the process and what we really need to do is get it on the table and authorize somebody to go forward with it and that's what this bill is intended to do." The committee substitute (CS) has already been ordered, but wasn't available in time for this meeting.

Number 0270

JOSEPH FIELDS, President, Kantishna Holdings, Inc., testified via teleconference in support of HB 244. He said that HB 244 provides an expedited methodology to establish a right-of-way in order to create something that has been endorsed by all the boroughs and cities of the Railbelt. He recalled that the legislature has passed two resolutions in support of this and there was the AIDEA bill of 1998, which is essentially HB 244 save the change from AIDEA to the Denali Borough. Furthermore, HB 244 does relieve the bonding authorization from AIDEA and eliminates the transfer to AIDEA, which would be beneficial to AIDEA. Mr. Fields informed the committee that there has been federal movement [with] a new secretary reviewing the access as found by the 1994 Denali task force. That task force, the national public board that advises the National Parks Service, called for a new access route to Wonder Lake. Therefore, Mr. Fields was confident that with the passage of HB 244, the work of identifying the specific right-of-way can begin. He noted that the right-of-way will not take up the entire yellow section, but will only take up something the size of the Parks Highway and end up as a 300 foot right-of-way. He echoed Representative James' earlier comments regarding the intention to avoid habitat and features that are difficult for railroads. Mr. Fields announced that Stampede Road is not really appropriate for this. He hoped that the committee would move HB 244 forward so that the details could be worked out at the next hearing, which [will produce] a good bill that will produce about \$.25 billion worth of private investment in the state as well as possibly 900 jobs over the years. He concluded by saying, "This is a rare opportunity for public-private relationship to flourish and go forward. I hope you will move it quickly."

TAPE 01-41, SIDE A

[Please note that approximately three minutes of Mr. Braun's testimony was not recorded and thus was obtained from the written testimony he read the committee.]

Number 0001

DAVID BRAUN, testifying via teleconference, read the following testimony:

[I am opposed to House Bill 244. Public and private land developers are trying to appropriate state land in Denali Borough. They want to make the Wolf Townships an extension of Denali National Park's

transportation system, and develop it for their own financial gain.

On Thursday, April 19 [the] House Transportation Committee quickly passed HB 244 out of committee without providing for any public comment or public hearing. The history of this bill is interesting. A working draft of the bill distributed at the Denali Borough Assembly meeting April 7th said, "The Denali Borough shall identify and survey a railroad and utility corridor ... from near the community of Healy to the eastern boundary of Denali National Park and Preserve." It also said, "The borough may retain not more than 3,500 acres of the land granted to the borough under this section." This land would be in addition to the borough entitlement and is worth many millions of dollars.] And I don't believe the citizens of Alaska will ever be adequately compensated for the loss of this public land.

A legislative staffer noted that having the Denali Borough do the survey for a private enterprise put the borough in the role of developer. The bill was then changed so that Kantishna Holdings, Incorporated, would identify and survey the railway, but the Denali Borough would still get 3,500 acres to develop whether the railroad was built or not. In my opinion, this bill is an attempt to give valuable public land to Denali Borough to sell, lease, or otherwise develop. The ultimate use of any land conveyed to the borough is completely unpredictable. The borough assembly has been unwilling to regulate land use as charged by the legislature.

Contrary to what some supporters of HB 244 say the question is not whether development should occur but where it should be. There are tens of thousands of acres east of Panguingue Subdivision open to borough land selection. Leaving the Wolf Townships as they are encourages development that is independent of Denali National Park and Preserve. People of the state, I don't believe, wanted the Park Service to be given to Wolf Townships and I don't believe they want ... the Wolf Townships, in any way, connected to the park. Alaskans and tourists use this as an alternative to the congestion and bureaucracy of the park. It's worth noting that now travelers from all

over the globe are purposely coming exclusively to the Wolf Townships as a result of Jon Krakaur's book Into the Wild, the story of Chris McCandless's death. It is shortsighted and absolutely impossible to try to funnel all our visitors through Denali National Park. We can learn from the mistakes made outside parks in the Lower 48. Keeping Wolf Townships as they are is good for economic development.

Also, I have to question the motives of those who are hostile to the National Park Service that would have the park encroach on our public land. I also think that Kantishna Holdings, Incorporated, should reveal the names of all those who will benefit financially from this venture. ... I must state again that there are no restrictions on land the Denali Borough might sell or lease (indisc.).

Number 0303

NANCY BALE, President, Denali Citizens Council, testified via teleconference. Ms. Bale specified that she is testifying on behalf of herself and the Denali Citizens Council, a local oversight group in the Denali area. She informed the committee that she has lived and worked in Denali National Park since 1971. Furthermore, she has mushed and skied the Stampede area. Ms. Bale pointed out that lands north of the Wolf Townships were given to Denali National Park as part of the 1980 Alaska National Interest Lands Conservation Act (ANILCA) settlement. The purpose of all the northern additions was to provide wildlife habitat, specifically for the Denali caribou herd. The Stampede Trail is located on the open tundra that gently slopes downward to some rolling hills. From her personal contact with the Stampede Trail, she informed the committee that there are many wetlands along the route as well as some major streams and a small river. This area has already been regarded as important as wildlife habitat by the state lands planning process. She quoted the Tanana Basin Area Plan as saying, "State land in this unit is to be retained in public ownership for multiple-use management. The emphasis is on management of recreation and maintaining fish and wildlife habitat."

MS. BALE related her belief that the importance of this land necessitates any change in land management to go through the already existing public process. Furthermore, the Wolf Townships area is not identified as an area from which the borough could select entitlements. Therefore, an amendment to

the Tanana Basin Area Plan would be required before it could be decided. However, HB 244 "shortstops" that process. Additionally, whenever the state conveys land from state ownership to another entity a best interest finding is generally required, which is not included in this bill. Therefore, the public process in determining the fate of this land is somewhat sidestepped by HB 244.

MS. BALE then turned to the issue of due diligence. She informed the committee that Kantishna Holdings, Inc., has already had a chance for a right-of-way through the 1998 AIDEA bill. However, Kantishna Holdings, Inc., has failed to show AIDEA due diligence in the many intervening years. Thus she wasn't sure that Kantishna Holdings, Inc., could show due diligence to develop a cost effective railway in this area.

MS. BALE recalled Representative James' remark that she prefers a railway because it's more environmentally friendly. However, Ms. Bale pondered whether the 3,500 acres, if not developed by rail because of the lack of due diligence would end up having a road through them. She informed the committee that SB 3 nominates some funds to study other rail or road [possibilities], which creates conflict. Although Ms. Bale agreed with Representative James that a road in this area would not be appropriate, she didn't believe that a rail would be cost effective or a "good for Alaskans" way to promote tourism. There are dozens of alternatives to this that will be discussed during a panel discussion by the Denali Citizens Council in early June. Ms. Bale indicated that the committee should have her full written testimony.

LINDA PAGANELLI testified via teleconference. She informed the committee that although she is a member of the Northern Alaska Environmental Center as the Denali Watch Coordinator, she is testifying on her own behalf. She noted that the committee should have her written testimony, which she read as follows:

I am a long time resident of the Denali Borough living on the Stampede Trail in the Panguingue Creek Subdivision. This coming summer will mark my 20th season driving a bus on the Denali National Park road for the park's concessionaire. While I do support efforts to assess possible solutions to park access issues, I do not support the North Access solution as put forth in HB 244 based on the following.

Determinations made by the Alaska State Department of Natural Resources, the National Park service, and the United States Congress are unanimous in their findings that the area in question, the Wolf Townships, serves as an important habitat for wildlife, particularly for park caribou and wolf populations. These lands should remain in public ownership for the purposes of maintaining wilderness recreation opportunities for local, regional, and statewide users and protecting fish and wildlife habitat.

In 1986 the Denali Subsistence Resource Commission conveyed, to the Secretary of the Interior, their strong opposition to any construction of new roads or railroads in Denali National Park and Preserve. The commission has reiterated their opposition to development of roads a number of times. Any activity that impairs the overall health of an ecosystem, natural processes or resource availability has the potential to adversely impact the customary and traditional activities practiced by subsistence users. The Wolf Townships, retained in state ownership, will continue to serve to protect the natural ranges of large park mammals from incompatible development and will thus, better ensure the continuance of the subsistence lifestyle.

I am concerned with the stipulation contained in this bill that grants over 45,000 acres of prime public land to the Denali Borough. I am in agreement with the Department of Natural Resources, "that a more efficient and equally effective approach would be for the borough and Kantishna Holdings, Inc., to identify the corridor first, then DNR transfer the land, or Kantishna Holdings, Inc., simply apply for a ROW from DNR."

I am also in agreement with their assessment that this deal should not come down to a "give away" to a private developer and that the citizens of the state receive adequate compensation for granting private exclusive use of thousands of acres of state land. This bill grants sole rights of project development to one company, Kantishna Holdings, Inc., without the opportunity for a competitive bid process. On this basis, the bill may be unconstitutional. Although I am far from being a constitutional law expert, I

request that the committee deliberate the following questions: What's the legislative purpose behind granting Kantishna Holdings, Inc., a sweetheart deal and a legislatively mandated seat at the planning table? Where's the state's common interest in bestowing this deal on Kantishna Holdings, Inc.?

An unreasonable fix date for the transfer of lands from the state to the borough fails to encourage or even allow public input on the consideration of whether or not these lands should transfer. Impacts to homeowners, sport and subsistence hunters, local guiding businesses, and other local, regional, and statewide users will consequently be ignored. Transfer to the municipality should not be approved until the recommended changes to the Tanana Basin Area Plan have been publicly reviewed through the amendment and reclassification processes as defined by the appropriate Alaska statutes.

The Denali Borough government boasts a "do nothing" policy towards guiding growth and development in the borough. It's shortsighted approach towards planning

...

Number 1174

JOAN FRANKEVICH, Regional Staff, Alaska Regional Office, National Park Conservation Association (NPCA), testified via teleconference and explained that NPCA is a national nonprofit group dedicated to protecting the National Park System. Of NPCA's over 450,000 members over 1,000 live in Alaska. Ms. Frankevich stated that NPCA has opposed the north Denali route since it was first proposed. Furthermore, NPCA opposes HB 244 for the following reasons. There is little benefit or purpose of this railroad to park visitors. Having worked in the park for five summers, Ms. Frankevich is very familiar with the area, visitors, travel patterns, and with the needs of the visitors. She noted that she is also familiar with the northern area where the railroad would be placed. Ms. Frankevich said, "For Denali visitors, the primary attraction is wildlife viewing." Besides Katamai National Park and McNeil State Park, Denali is the easiest and most predictable location to view grizzly bears as well as a variety of other wildlife. She informed the committee that wildlife in the park is seen mainly in the middle third of the park road, which is roughly from Igloo Canyon to Eielson Visitors Center. The entrance area and the Wonder Lake area are

forested and thus it is more difficult to view wildlife here. The northern route is similar and thus the chance for wildlife viewing from the railroad would be fairly minimal. Additionally, the north route scenery isn't as dramatic as along the park road. The proposed site of the railroad on the north side, the low range blocks views of the high peaks and the glaciers of the Alaska Range. Furthermore, the [northern] area has never been glaciated and thus none of the dramatic broad glaciated valleys and views like those on the park road. On the proposed route there are occasional views of Mt. McKinley at high points and once Wonder Lake is reached the scenery is spectacular, which may make the ride worth it. She pointed out that Mt. McKinley is the highest peak in North America and as such it generates its own weather. Therefore, even when clear elsewhere, the mountain is often shrouded in clouds. She noted that she worked at Eielson Visitors Center, which tracks the visibility of the mountain as is done every year. In general, the mountain is visible 30 percent of the time.

MS. FRANKEVICH stated that compared to the park road, the north rail route offers poor wildlife viewing, less spectacular scenery, and infrequent views of Mt. McKinley similar to the park road. Therefore, [NPCA] doesn't see this proposed rail route being a benefit for park visitors nor in demand by park visitors. Furthermore, there is a misperception that large numbers of potential visitors are turned away from riding the park buses every year. This is incorrect. After speaking with National Park Service staff today, Ms. Frankevich was informed that in 2000 there were over 363,000 visitors to Denali with a bus ridership composing about 76 percent of that total. About 2,000 people were turned away from the [buses], which amounts to less than 1 percent of the total visitors. The other visitors, such as climbers to Mt. McKinley, Ruth Glacier landings, etcetera, account for the rest of the numbers. This misperception is probably due to the presence of visitation counters on the highway prior to 1996. Those counters counted everyone on the park's highway and thus it was interpreted that only a small percentage were able to ride the bus. However, that is inaccurate. Furthermore, the current bus system has a high level of satisfaction as supported by a 1998 survey by the University of Idaho in which 88 percent of the visitors rated the bus system as good or excellent and that wildlife observations were the greatest single factor in contributing to visitor satisfaction.

MS. FRANKEVICH concluded by saying that this project makes little sense to her. "A railroad that starts just 17 miles

north of the park road is very expensive and ends in the same place - where demand is low, where they won't see a bear, and over 50 percent of the riders won't see Mt. McKinley - seems to serve little purpose," she said. Moreover, she echoed prior concerns regarding giving this land to the Denali Borough, which is a young borough with no road powers. The borough has done virtually no land planning, which it abhors. Therefore, the borough seems a highly unlikely choice to receive a state right-of-way.

Number 1500

REPRESENTATIVE CHENAULT recalled Ms. Bale's testimony regarding the Denali Borough's lack of road powers and her belief that it shouldn't have the land. He asked if Ms. Bale would favor transferring state land to the hands of a local community.

MS. BALE answered that the way the state has agreed to manage this land per the Tanana Basin Area Plan has addressed the general purposes for wildlife management and the general needs for subsistence use of the locals. Therefore, she favored the retention of ownership in the state's hands.

CO-CHAIR MASEK closed the public testimony and inquired as to the will of the committee.

Number 1595

REPRESENTATIVE MCGUIRE moved to report HB 244 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 244 was reported from the House Resources Standing Committee.

CO-CHAIR MASEK called a brief at-ease at 3:10 p.m. and handed the gavel to Co-Chair Scalzi.

#### CONFIRMATION HEARINGS

##### Board of Fisheries

CO-CHAIR SCALZI called the meeting back to order. He announced the committee would consider two nominees for the Board of Fisheries. He asked Dr. White to speak first.

Number 1721

DR. JOHN R. WHITE, Appointee, Alaska State Board of Fisheries, testified via teleconference. He thanked the House Resources Standing Committee for hearing his testimony and offered to answer any questions regarding his resume [included in the committee packet]. Dr. White stated he was compelled to serve again on the Board of Fisheries for the benefit of continuity and to continue to work on the development of the "sustainable fishery salmon policy," within regulation, until it "best reflects the interests of the salmon resource for the State of Alaska." He continued:

Finally, Mr. Chairman, I [am] very interested in serving again, because I see a great need in the state, at this time - considering the salmon crises in Western Alaska - to have continuity brought to bear between different funding agencies engaged in the research that needs to be done on stocks in Western Alaska that are failing so dramatically at this time, and have that continuity brought to the Board of Fisheries. And I hope to be able to do that by being an advisor to the North Pacific Anadromous Fish Commission, and be able to bring high seas research back to the state body and try to find continuity between those bodies and how that research is accomplished.

Number 1874

REPRESENTATIVE CHENAULT asked Dr. White what his agenda would be over the next three years were he to be confirmed. He clarified that Dr. White may answer as to his "personal" agenda or to the agenda of the Board of Fisheries.

DR. WHITE answered that the issue of paramount importance was finding some regulatory means to address the crises in Western Alaska, among other areas, where there are "de minimus" stocks that need the attention of the state. His two highest priorities, for the Board of Fisheries, would be to continue to take public testimony and to "nurture the maturity of the sustainable salmon fisheries policy."

Number 1962

REPRESENTATIVE CHENAULT asked Dr. White what his agenda would be regarding stocks of the Cook Inlet.

DR. WHITE responded he thought the Board [of Fisheries] had made a request of [ADF&G] that it "try to get" management plans for all the stocks - specifically chum and pink salmon stocks - in [Cook] Inlet. He hoped [ADF&G] would bring that information to the Board of Fisheries before it's next meeting. He indicated that he would not "carry an agenda in any way, into the Cook Inlet meeting, other than the information that was brought to bear, and the proposals that were put before [the board]."

Number 2009

REPRESENTATIVE FATE commented that the split public opinion on Dr. White's reappointment seemed to be divided between "the blue water fishermen and those other fishermen on the rivers and other waterways." He asked Dr. White how he accounted for the divisiveness between those who supported him and those who did not.

DR. WHITE answered he has been a strong advocate for Western Alaska fisheries for over 25 years and, during his time served on the Board of Fisheries, has spoken "forcefully" for the following: conservation of the failing Western Alaskan, Kuskokwim, Yukon River, and Norton Sound stocks; conservation measures within his sport and subsistence fisheries on the Kuskokwim, Yukon, and Norton Sound; and the introduction of Tier II fisheries in Norton Sound, because of the "grave nature of conservation concerns that involved those stocks." He said, "The farther you reach out of our region to try to conserve stocks, the more people don't think they have a responsibility for what's wrong with the conditions of our stocks."

DR. WHITE stated:

I've been a forceful spokesperson in the international settings in trying to minimize Japanese take of Western Alaskan stocks. I've been a strong advocate in the federal fisheries, in the trawl fisheries for minimizing the interception of Western Alaska stocks. And I've tried to hold all parties accountable within statute and regulation for the conservation of those same stocks, within the confines of the mixed-stock fishery and the Sustainable Salmon Fisheries Policy, so that everyone, hopefully, shared the conservation burden equally. That's how I voted. That's what I did. And there will be people who strongly disagree that I tried to hold that ... "burden-sharing" equally.

Number 2170

REPRESENTATIVE FATE mentioned the fact that the salmon catch was "manifestly" larger than it was 15 to 20 years ago. He cited a possible reason for the increase: "fisheries introducing more fish into an environment that's competing with the wild stock." He suggested that might be the cause of the problem in the Yukon/Kuskokwim drainage and asked Dr. White how he would propose to solve the problem.

DR. WHITE replied the research of the North Pacific Anadromous Fish Commission and of PICES [North Pacific Marine Science Organization] is "about a year or two out" and will be coming back to the [Board of Fisheries]; however, the preliminary research "demonstrates grave concerns for the carrying capacity of the Bering Sea and the North Pacific Ocean." He detailed: "Preliminary indicators are that there is 'inter-specific' competition between different species of salmon, and there's also 'intra-specific' competition between individual species from different areas."

DR. WHITE stressed the need for Alaska to be part of an ongoing "mature, well-thought-through forum," for purposes of deciding how much out-migrant stock can be put in the ocean. He predicted that future [research] would show that there is a carrying-capacity problem. Dr. White said, "The Canadians feel this pretty vehemently at the present time; there's a conference that's going to be held on that soon." He recommended that all fishermen in the State of Alaska "sit down and have a reasonable discussion" when the research information becomes available.

Number 2300

REPRESENTATIVE McGUIRE stated that she had received more POMs [public opinion messages] on this issue, than any other during this session, and she noted two overriding concerns: there isn't a blue water, commercial fishermen on the Board [of Fisheries], and there should be; and the [Board of Fisheries] is collectively responsible for the collapse of the Yukon and Kuskokwim fisheries and the destruction of the "Area M" and Upper Cook Inlet fisheries. She asked Dr. White to give his opinion on those public comments.

DR. WHITE responded thus:

First of all, I don't think there's a catastrophic collapse of many of those fisheries. The Western Alaska fisheries have been literally closed and shut down for several years; that's a commercial fishery collapse. A subsistence fishery collapse is when you have a ... Tier II fishery in the known subdivision. The other fisheries have been limited and they've been changed. There have been difficult allocation decisions. There have been contentious issues between users.

... Representative [McGuire], I've tried to be fair and I've tried to share the burdens equally, between different parties. "Allocative" decisions are not popular, but I have always tried to be a board member that would listen and weigh fairly the information before "you." And I think my record reflects that.

DR. WHITE said that the idea that there was no blue-water commercial fisherman on the Board of Fisheries was wrong. He cited Mr. Grant Miller, from Sitka, as having extensive blue-water fishery experience as a troller, seiner, and in herring fisheries. Dr. White emphasized that having representation from blue-water commercial fishermen on the Board of Fisheries was important, because [Alaska] has some of the most important blue-water fisheries in the world, including shellfish, finfish, and bottomfish fisheries. He added that the Board of Fisheries has been "diligent" in its attention to the needs of those blue-water fisheries.

REPRESENTATIVE MCGUIRE clarified that she had thought the public opinion to be relatively one-sided and her intent in asking Dr. White questions was to give him a chance to "provide another side of the story."

DR. WHITE told Representative McGuire that some of those emails about "the action alert" to oppose his appointment were forwarded to him and thanked her for giving him the opportunity to "get the factual record straight on this."

Number 2563

REPRESENTATIVE KAPSNER welcomed Dr. White and informed her colleagues that she could gather three times as many emails in support of him. She pointed out that the subject of many of the negative emails was shallow, including complaints about Dr. White's length of term on the Board of Fisheries.

Representative Kapsner said it takes time to "get a handle on" the great variety of fisheries and resources the state has. She stated she has known Dr. White "all her life" and he has done an "exceptional" job in this position, defending people who depend on the fish resource for their income and for subsistence.

Number 2650

REPRESENTATIVE FATE, in response to an announcement by Co-Chair Scalzi that this issue would be heard again in the House Special Committee on Fisheries, pointed out that not all the members of the House Resources Standing Committee were also on the other committee. He also stated that the House Special Committee on Fisheries was primarily made up of blue-water fishermen. He said he hoped that there was another viewpoint heard at the House Resources Standing Committee meeting that would be taken to and expressed at the House Special Committee on Fisheries meeting.

CO-CHAIR SCALZI informed the committee that both Representatives Fate and Chenault wouldn't be able to attend the [House Special Committee on Fisheries] meeting, taking place in a couple hours. He stated that the presentation would go before the House Special Committee on Fisheries and the House Resources Standing Committee again, separately, on Wednesday [April 25, 2001], and before the "full body" on the following Monday; subsequently, there would be no final decisions made in the meeting at hand.

Number 2725

REPRESENTATIVE MCGUIRE clarified the procedure allowed each individual committee, to which the confirmation had been referred, to have the opportunity to confirm or deny the appointees.

CO-CHAIR SCALZI clarified that, in the interest of expediency, he would be holding all his questions until the House Special Committee on Fisheries meeting, so that those representatives who were not in both committees could have time to speak now. In response to a question from Representative Green, he said the appointees would be invited back for Wednesday's meeting. He mentioned the great amount of public response received and public testimony still to be heard on this issue.

Number 2835

RUSSEL NELSON, Appointee, Alaska State Board of Fisheries, testifying via teleconference, expressed his "desire" to serve another term on the Board of Fisheries. He stated, during his past three-year term, he worked hard to understand the issues of all Alaska's fisheries and to "make fair decisions for the conservation and development of these fisheries."

MR. NELSON highlighted two policies he supported: the Sustainable [Salmon] Fisheries Policy, which ensures that ADF&G and the Board of Fisheries are "proactive in preserving our fisheries resources"; and the "committee process," which gives the public and the Board of Fisheries committee members "a more interactive method of solving contentious proposals that come before the Board [of Fisheries]."

Number 2925

PAUL A. SHADURA II, Self-appointed Board of Fisheries nominee, began his testimony in opposition to Dr. White.

CO-CHAIR SCALZI asked Mr. Shadura to limit his testimony to his position as a "potential nominee" and to save his testimony on [Dr. White and Mr. Nelson] until the House Special Committee on Fisheries meeting.

TAPE 01-41, SIDE B

MR. SHADURA outlined his family's long history of fisheries experience, stating his family has lived in the Cook Inlet area for 100 years, processing fish and operating traps. He listed his experience as: a fish buyer who operates 21 locations; a member of the Kenai River Special Management Area who is very concerned with the conditions of the river; a representative for the Cook Inlet area in the Cook Inlet Aquaculture Association for 20 years; and a member of the Cook Inlet Region Citizen Advisory Council - "the oil watchdog in Cook Inlet" - for 5 years. He also said, "I have a setnet fisherman."

MR. SHADURA emphasized he is an Alaskan fisherman who believes in Alaskans and wants to serve on the Board of Fisheries, to "listen to the people of this state and affect change." He expressed frustration with the [lack of] cooperation and communication [from] the Board of Fisheries members over the last six years. He added, "I have been denied access to them. I have been ridiculed publicly [by] them - and particularly, John White."

Number 2849

REPRESENTATIVE GREEN mentioned the assumption that when the [fishing] nets [are activated], the fishing "dries up" in the Kenai River and when the nets [are no longer in use], then "the next day" there are fish in the [Kenai] River for the sport-fishermen. He asked Mr. Shadura how he felt about the effect of subsistence and commercial fishing on "personal use" and sport fishing.

MR. SHADURA replied, "I think the recipe is to sustain a high return - as close to maximum sustainable yield, as possible." He said the sport and personal use fisheries make up a small component of the return, particularly as pertains to the Kenai River, whereas the commercial fishery "takes the burden of both those other[s], and maybe rightfully so." Mr. Shadura projected the returns of the future will be "seriously diminished from the particular plans that are in effect at this point." He reiterated his involvement with the community - mentioning friends who are guides or subsistence users - and stated his preference for a "balancing act." He added, "In the Kenai, we are very strong economically throughout the state, because we are balanced. What we do object to is interference that creates instability in that economy."

Number 2750

REPRESENTATIVE GREEN stated that if [the Board of Fisheries] does not arrive at the balance of which Mr. Shadura spoke, then many personal-use fishermen would be affected. He suggested that "five percent off commercial" might supply "more than enough for all the personal use."

MR. SHADURA stated a point of consideration that the State [of Alaska] has come a long way since it took over the management of the fisheries in 1959. He emphasized that [Alaska] cannot survive without its commercial fisheries, saying "it's the abundance numbers that bring people to Alaska to fish on the Kenai River." Subsequently, when there are reports of a poor year, people don't go to the Kenai River to fish. He stressed that the "commercial fishery is not out there to exclude individuals."

Number 2650

REPRESENTATIVE FATE mentioned the fishermen on the Yukon and Kuskokwim Rivers who have depended on their fisheries for years,

but had no commercial season last year and will have none this year. He asked Mr. Shadura to comment on possible solutions for those people.

MR. SHADURA admitted that he had not been involved with those areas, but assured the committee he would dedicate himself to finding a solution. He emphasized that he lives "this business" every day, reading textbooks and doing all he can to understand what it takes to "perpetuate the fisheries wherever I am."

Number 2579

JUDE HENZLER, Executive Director, Bering Sea Fishermen's Association (BSFA), representing commercial and subsistence "fishers" in Western and Interior Alaska, testified via teleconference, in support of the reappointment of Dr. White and Mr. Nelson [to the Board of Fisheries].

Number 2519

ROBERT WILLIAMS spoke on behalf of the Kenai [Peninsula] Fisherman's Association (KPFA), an organization of approximately 250 to 300 people. He explained KPFA represents much of the setnet fishing that takes place in the Cook Inlet Basin. He stated that KPFA is opposed to the legislative confirmation of Dr. John White to the Board of Fisheries. Mr. Williams said KPFA feels a real need for a "bona fide" commercial fisherman on the Board of Fisheries, saying "as of now we only have one - that's Grant Miller." He added that the governor had not appointed any [fishermen] to the Board of Fisheries in seven years. He continued:

In Cook Inlet, in the basin, we have three board members on this board, that ... are from our area: one's an attorney, one's a saltwater guide, and the third is a retired sport-fish biologist. So, we have, literally, no representation and this creates a large imbalance when our issues are voted on.

MR. WILLIAMS stated his opinion that Dr. White has "maybe been on the Board [of Fisheries] too long" and has a difficult time "dealing with" and listening to the public and hearing its concerns, capabilities that Mr. Williams expressed should be a prerequisite for serving on the Board of Fisheries. He mentioned Dr. White's length of term on the Board of Fisheries and said KPFA has been concerned about [Dr. White] "developing agendas."

MR. WILLIAMS also stated that Dr. White does not "take heed" of the biological studies provided to him by ADF&G's research biologists. He added, "Lately this board has just been disregarding [the studies], and going [its] own way, with some ... 'wacky' science that really scares me." Mr. Williams noted that escapements have been raised to the point where "[the Board of Fisheries is going for sustained [yield], rather than for maximum sustained [yield]." He added that "down cycles" were also to blame. Mr. Williams concluded, saying [KPFA] had no objection to the reappointment of Russell Nelson to the Board of Fisheries.

Number 2385

REPRESENTATIVE KAPSNER asked Mr. Williams how he could say Dr. White was not a "bona fide" fisherman.

MR. WILLIAMS defined a fisherman qualified to serve on the Board of Fisheries as someone who fishes all year round and is involved in a variety of fisheries - perhaps in crab and cod - and has a "wider spectrum" on what's happening in the fisheries. Based on those guidelines, Mr. Williams admitted he would not consider himself a good candidate for the position.

MR. WILLIAMS said, "Our representation right now, basically, has no commercial fishing from our area on it." He remarked that the Board of Fisheries was supposed to hold a meeting every three years, but has met five or six times in the last six or seven years. He said, "If we're going to get all this attention, I really feel like we need to have somebody [who] represents our area."

REPRESENTATIVE KAPSNER asked Mr. Williams to clarify whether his opposition was "not as much personal against Dr. White," as it was a "geographic preference."

MR. WILLIAMS did not agree, stating that he does not agree with the way Dr. White has conducted himself on the Board of Fisheries. He reiterated his previous statements that many people find Dr. White to be unapproachable and unreceptive to the best biological information. In regard to the latter statement, Mr. Williams also mentioned Chairman [Dan] Coffey.

MR. WILLIAMS, in response to Representative Kapsner, responded that although it was probably not too long for a legislator to serve for six years, the same amount of time on a volunteer

board was too long. He explained that many of the issues on the Board of Fisheries are "contentious," and a board member gets involved in them and, understandably, wants to see them through, but inevitably picks up "baggage" and "gets too much of an agenda going."

REPRESENTATIVE KAPSNER said Dr. White was very open-minded, and she was sorry that Mr. Williams' experiences with him had not been as good.

Number 2249

REPRESENTATIVE GREEN said he had presumed that the members of the Board of Fisheries were "neutral" and would "weigh things," but Mr. Williams' use of the words, "agenda," "location," and "association" made him think that Mr. Williams thought there might be bias among the Board of Fisheries members.

MR. WILLIAMS replied he could only "speak for his area." He said:

Our fisheries ...in the [Cook] Inlet [have] pretty much been dismantled in the last seven years. We didn't expect the runs to be as high as they were in the late eighties forever and the price to stay as high. ... we always knew we were going to come off a "cloud" for awhile, but basically, ... with the raise in escapement levels, it keeps us out of the water. We only fish two days a week. So, there's five days a week that fish are all in the river. If the peak of the run comes in when the timing is right, we may get an extra week in July.

... We don't fish [coho salmon] any longer. That season's curtailed completely; we're out of the water by August 7. ... Some people in Cook Inlet start July 10 and they're done August 5. I mean, we're talking about a ... four- to five-week window here with no fishing time available for us. I don't know what else to say. Other than a real large return, we're so limited on fishing time.

We've lost our maximum sustained yield on the Kenai River, basically. And we had it before, and we ... also had a sustained yield on the other smaller tributaries, so it's not like we just worried about

the Kenai and forgot about the rest - that was never the board's intent.

REPRESENTATIVE GREEN said "you're out of the water" and asked Mr. Williams if he was a setnetter.

MR. WILLIAMS said yes.

Number 2147

REPRESENTATIVE McGUIRE asked if Mr. Williams could objectively say what would have happened to subsistence and sport fish users if the escapement level had not been raised.

MR. WILLIAMS answered there are very few subsistence users in the [Cook Inlet] area at this time. He stated that a few educational permits are allowed for fishing in the river, and "they" have been very good about not fishing when there's no escapement. Mr. Williams said the condition of "maximum sustained yield" is created, by deciding "what window of escapement is going to bring back the most fish to the river." He continued:

What's happened since then is we went from an MSY [maximum sustained yield] to an OEG [optimum escapement goal]. In other words, it's going to sustain a fishery, but it's going to take into consideration the socio/economic factors in the river, [for instance]: guides [and] the public. And we've never had a problem with that. We just never found any common ground, ... it's always been one way or the other.

Dipnetters, basically, are able to fish two to three weeks [and] harvest anywhere from 150,000 to 300,000 sockeye in the Cook Inlet basin. Sport fishermen, at best, can only harvest 2 out of 10 fish that go up the river. So what happens is we let so many fish in the river ... get harvested. We put over a million fish in the Kenai [River], and the return suffers for it.

During Exxon Valdez that happened -- four or five other years. If you get a biological escapement goal, up in that area, that means take out all the fish that have been caught. It will actually make the spawning escapement -- Our department brought forth the numbers

they thought best, roughly, a BEG of 300,000 to 500,000 is what brought back our best funds.

REPRESENTATIVE GREEN questioned being up to 800,000.

MR. WILLIAMS answered, "Actually, 1.2 million (indisc.) account, which would bring [900,000] to [950,000]. He clarified he was not blaming the actions of the Board [of Fisheries] for statewide poor runs, but was concerned with [the numbers].

Number 1997

DR. WHITE responded to the last statements by Mr. Williams, saying, "Reasonable people differ in their interpretations of the data." He said he respectfully disagreed with Mr. William's presentation, which was based solely upon the Kenai River. Dr. White stated the higher escapement goals improved the total nutriment of the system and were better, not only for the target species of red salmon, within the Kenai River drainage, but for the "healthy carrying capacity" of the ecosystem for all species in the Kenai River. He mentioned rainbow trout, Dolly Varden, Coho, and other red salmon in the Russian River. Dr. White pointed out Mr. Williams neglected to address that increased escapement also allowed for greater escapement on "the west side" and into the northern rivers in the Anchorage Basin: Turnagain Arm, Knik Arm, and the Susitna [River].

CO-CHAIR SCALZI asked Dr. White to clarify that [what he just stated] was contrary to the recommendations of ADF&G.

DR. WHITE responded he did not agree with that. He said, "The Board [of Fisheries] has the authority to have optimal sustained yield, which may be above or below an escapement level determined for one specie." He emphasized that [the Board of Fisheries] worked with [ADF&G] at length "to stay within the confines of sustainable yields for all species." He said there was a concurrence. Dr. White allowed that a possible interpretation might be that there was a difference in the maximum sustained yield, only for Kenai red salmon.

Number 1835

REPRESENTATIVE KAPSNER, regarding Dr. White's statement about higher escapement goals improving the nutriment of the system, mentioned an article from the Anchorage Daily News that said the greater the number of spawning fish that eventually decompose, the better it is for the ecosystem of the fish fry.

CO-CHAIR SCALZI added that there is a difference of opinion on "how much fish you can put in a river." He mentioned that Coghill Lake was dead for 10 years after over-escapement. He pointed out Carl Rosier was in the room from ADF&G.

Number 1748

KEN LARSON, a charter boat operator "out of Valdez, Alaska" and member of the Valdez Charter Boat Association (VCBA), testified via teleconference in support of the reappointment of Mr. Nelson and Dr. White to the Board of Fisheries. Regarding the subject of length of term in office, Mr. Larson said, "I don't like going back to the beginning, if there's a body of knowledge out there that can be used and should be used."

Number 1707

VIRGIL UMPHENOUR, former member of the Board of Fisheries, testified via teleconference in support of Mr. Nelson and Dr. White. He worked with Dr. White and, contrary to the statement made in previous testimony, said Dr. White always goes out of his way to make himself available to the public.

Number 1669

PATRICK BOOKEY, representing himself and "Luck of the Irish Charters," out of Valdez, Alaska, testified via teleconference in support of the reappointment of Dr. White and Mr. Nelson to the Board of Fisheries. He stated both appointees are experienced and have shown their "capacities" and "abilities" in the past.

Number 1636

GEORGE YASKA, testified via teleconference, on behalf of the Tanana Chief's Conference and its president, Steve Guinness (ph), in support of the reappointment of Dr. White and Mr. Nelson to the Board of Fisheries. He stated both appointees have been "good conservators of the resource on the Yukon [River] and throughout Alaska."

Number 1566

CARL ROSIER, President, Alaska Outdoor Council (AOC), read the following testimony, [available in the committee packet]:

As many of you know the Alaska Outdoor Council is an association of 45 outdoor recreation groups supporting conservation and wise use of Alaska's fish and wildlife resources, protection of public access, fair allocation of resources, and equal protection of the constitutional rights of all Alaskans to use our natural resources.

The Alaska Outdoor Council is a strong supporter of the Alaska Board regulatory system. During the nearly 30 years of my career with the Alaska Department of Fish & Game, I have had the opportunity to observe and participate in a significant number of Board of Fisheries regulatory sessions with a variety of board members. Alaska's system is the most publicly open process in the nation and when one views the generally good condition of our fish resources it is a system that has served the state well. A significant part of the board's effectiveness has been the quality and continuity of many dedicated individuals that have served on what we consider to be the toughest regulatory appointment in the state.

Your committee has before it two very dedicated and capable individuals that are truly deserving of being confirmed for another term on the Board of Fisheries. The current Board of Fisheries operates as a consensus-building entity that has established efficient processes to bring opposing views to the table for resolution among the stakeholders and further enlightenment of the board. If the stakeholders cannot reach consensus, the board has the last and best information on which to make the final decision on a given issue. Much of this system has been arrived at through the leadership of Dr. White.

The present board leaves no question about science and conservation of the resource being priority considerations in the regulatory decision process. In this arena the Board of Fisheries has completed the initial development of a sustainable fisheries policy for the state and is now making application to the various fisheries statewide. Development of the policy has occurred in conjunction with stakeholder groups and the technical support of ADF&G. This policy is now providing guidance to the public, the department, and future boards on decision making to

assure continued sustained yield of our fisheries resources. In our view, [it is] a good piece of work under the leadership ... of Dr. White and one that will go far in assuring the health of our fishery's resources.

Balance in regard to decisions affecting a variety of user groups by the current board is probably the best I have observed in a fish board. No one interest group dominates the board as we have frequently observed in the past. It is AOC's view that the present Board gives true consideration of public demands, whether you are [a] commercial, subsistence, personal-use, or sport [user]. As a participant, you may not like a decision, but you have every opportunity to make your case and know that the board is listening and fairly evaluating your view.

All members of the current board come to the meetings well prepared and it is obvious by the debates within the board that the reams of material produced for the board's edification is indeed being used to support the board's decisions.

The two members before you for confirmation have grown in their knowledge and understanding of the various complex fisheries in our state. Both of these individuals have become an integral part of a well functioning regulatory board that is important to all Alaskans. The system is functioning well and the Alaska Outdoor Council urges you to support confirmation of Dr. John White and Mr. Russell Nelson for another term on the Board of Fisheries.

Thank you for the opportunity to testify.

Number 1287

REUBEN HANKE, owner/operator of a guide business on the Kenai River, testified via teleconference in support of the reappointment of Dr. White and Mr. Nelson to the Board of Fisheries. Regarding both appointees, he listed the following considerations: they served well on the Board of Fisheries; they were very approachable; and they displayed impartiality between commercial fishing, sport fishing, personal use, or subsistence fishing, in decisions affecting those groups.

Number 1231

JOE HANES, an Alaskan resident for 39 years and Kenai River guide for the past 22 years, testified via teleconference in support of the reappointment of Dr. White and Mr. Nelson to the Board of Fisheries. He reminded the House Resources Standing Committee that there are two primary, harvestable wild stocks left in the United States, which are located in the Cook Inlet and the Bering Sea. He said, "And yet, in the history of mankind, we have yet to save -- and have a sustainable fishery, both commercial and sport. And this board makes very tough decisions, in an attempt, for the first time ever, to accomplish that goal."

MR. HANES mentioned fishing time that's been lost by himself, drifters, and setnetters, and reiterated that Mr. Nelson and Dr. White must make tough decisions on the board. He said:

I'd just like to see them continue. And, hopefully we can ... make some of these other decisions that affect all of us here in Cook Inlet, some of which you don't all have control over, but -- for instance, 1/2 million pounds of pollock was harvested 15 years ago and last year they harvested 3 billion pounds.

Number 1095

DREW SPARLIN, testifying via teleconference, mentioned he had submitted written testimony, [included in the committee packet], and stated his opposition of the reappointment of Dr. White to the Board of Fisheries. He said Dr. White had not served the commercial industry well, or fairly. Mr. Sparlin noted his own experience of 37 years in the industry, as a "drifter." He mentioned his observation of "fish politics" throughout those years, working with many boards and many people involved with those boards. Mr. Sparlin indicated an escapement problem that occurred last year, when the drift fleet and set nets were restricted for a "great length of time." He mentioned coho [salmon], sockeye [salmon], the Kenai River, and "20 million pinks swimming up the Cook Inlet." He continued:

We asked the department to open the fishery, as early as August 4, and we asked them to enact emergency orders, so that they could conduct a reasonable fishery. There [were] 150,000 "humpies" caught last year, and 21 million, by the Department of Fish & Game's estimate of 21 million, that swam into the Cook

Inlet. At the same time we were here in Soldotna, considering declaring the area a disaster. We have canneries that are closing. Processing plants are leaving, right and left. We need to understand that we have to have a stable industry, and we have to have an opportunity to be able to participate in surplus ... stocks, so that this can be economically passed throughout our community, and therefore benefit the State of Alaska.

MR. SPARLIN recognized he expressed the minority opinion from those who had previously testified, but urged the House Resources Standing Committee to "seriously investigate some of these issues." He stated it is wrong when not one person on the Board [of Fisheries] derives "a significant portion of their income" from commercial fishing.

Number 0901

REPRESENTATIVE KAPSNER asked Mr. Sparlin to clarify his statement about the qualifications of Board of Fisheries members.

MR. SPARLIN reiterated that there should be better commercial fisheries representation on the Board of Fisheries, considering how important commercial fisheries are to the State of Alaska. He added that Dr. White is a dentist, and doesn't do a lot of commercial fishing and the other two members [of the Board of Fisheries] who have permits are "very marginal commercial fishermen," in terms of their income derived from fishing.

REPRESENTATIVE KAPSNER responded:

This summer we had just a handful of openings, and most people who fished, didn't make enough money to reimburse the cost of gas, or their crew. One guy from Kasigluk went out fishing and I heard him on the radio saying that he had enough money after that "opener" to buy his kids a half-gallon of ice cream. We just don't have a fishery there anymore and I don't think that's the fault of the Board of Fisheries. It's just not there. And I'm sure that if we did have a fishery, I'd see Dr. White fishing every "opener."

MR. SPARLIN replied he appreciated Representative Kapsner's statement and sympathized with the "severe situation," but

pointed out that the issues being discussed have been ongoing during Dr. White's terms on the Board of Fisheries.

Number 0702

AUSTIN AHMASUK, Subsistence Specialist, Kawerak, Inc., testified via teleconference. Mr. Ahmasuk mentioned testifying before the Board of Fisheries on several occasions, as well as attending "a significant portion of the month-long January meeting in Anchorage this year." He stated:

The Board of Fisheries has the very difficult task of developing fisheries regulations that must answer to wide interests and reasoned scientific understanding. Dr. John White and Russell Nelson both represent voting records on important fishery regulations that favor Western Alaskan salmon and non-salmon stocks that have seen disastrous returns. Their participation in the Board of Fisheries actions in past years has brought to light some of the biological concerns that our region has been pointing to for the last 10 years. Though Dr. White and Mr. Nelson have voted favorably in past years on important fishery issues for Western Alaska, they understandably must make decisions on other fish stocks throughout all of Alaska. Having seen firsthand the rationale within the Board of Fisheries, I'm happy to recommend Dr. White and Mr. Nelson for confirmation to the Board of Fisheries, [because of] their high level of calculated and thoughtful efforts in this state's Board of Fisheries regulatory process.

DON STILES, Fishery Specialist, Kawerak, Inc., testified via teleconference, on behalf of Kawerak's 22 tribal organizations and over 6,000 residents throughout the Bering Straits region, in support of the reappointment of Dr. White and Mr. Nelson to the Board of Fisheries. He stated:

During ... the candidates' tenure on the Board, they have acted as responsible stewards for the fisheries of Alaska, and [have] well-represented all the user groups - subsistence, commercial, and sport - involved in the board process. Both Mr. Nelson and Dr. White go out of their way to ensure that they fully understand the issues before the Board [of Fisheries] and weigh the often-conflicting public viewpoints to arrive at well-balanced and rational decisions.

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CO-CHAIR SCALZI announced the end of public testimony and said the confirmation hearings would continue on Wednesday, April 25, 2001.

**ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 4:29 p.m.