

MINUTES
SENATE FINANCE COMMITTEE
April 18, 2001
9:12 A.M.

TAPES

SFC-01 # 76, Side A
SFC 01 # 76, Side B
SFC 01 # 77, Side A

CALL TO ORDER

Co-Chair Pete Kelly convened the meeting at approximately 9:12 A.M.

PRESENT

Senator Dave Donley, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Jerry Ward, Vice-Chair
Senator Loren Leman
Senator Alan Austerman
Senator Lyman Hoffman
Senator Donald Olson
Senator Lyda Green
Senator Gary Wilken

Also Attending: DAN EASTON, Director, Division of Facility Construction and Operations, Department of Environmental Conservation; LARRY MARKLEY, Alaska Rural Electric Cooperative Association (ARECA), Anchorage; VERN RAUSCHER, General Manager, Tlingit & Haida Regional Electric Authority, Juneau; DARWIN PETERSON, Staff, Senator John Torgerson; CAROL CARROLL, Director, Division of Support Services, Department of Natural Resources.

Attending via Teleconference: From Anchorage: JOE STAM, Fire Program Manager, Division of Forestry, Department of Natural Resources; ERIC YOULD, Executive Director, Alaska Rural Electric Cooperative Association (ARECA); BRENT PETRIE, Project Manager, Alaska Village Electric Coop (AVEC); DAVID GERMER, Deputy Director, Alaska Energy Authority (AEA); WILL ABBOTT; From Emonik: MARTIN MOORE; From Towarik: ISIAH TOWARAK; From Craig: GREG MICKELSON; From Skagway: DAVID VOGEL, Alaska Power & Telephone; Tok: DON MAHON, Regional Vice-President, Alaska Power & Telephone; Unalakleet: DAVID SOULAK; BOB FOOT, Regional Board, ARECA; RUTH MOTO-HINGSBERGER; ARNIE SATHER, Alaska Power Company; Dillingham:

STEVE BUCHONET; CHUCK DUNGAN.

SUMMARY INFORMATION

SB 148-REMOTE WATER STORAGE FOR FIRE DEPARTMENTS

The Committee heard from the sponsor and the Department of Natural Resources. The bill was held in Committee.

SB 184-CONSTRUCTION OF WATER & SEWAGE FACILITIES

The Committee heard from the Department of Environmental Conservation. SB 184 was moved out of Committee.

SB 185-PCE BASED ON HIGHEST COST

The Committee heard from the sponsor, industry representatives and members of the public. The bill was HELD in Committee.

SENATE BILL NO. 184

"An Act relating to user contributions toward the cost of construction of certain water and sewage facilities."

Co-Chair Donley advised that the legislation would provide a one-word change to existing statute. He explained that existing statute does not require a contribution, by the user, for the cost of constructing a facility. He noted that SB 184 would simply remove the word "not" and would leave it up to the budget process or subsequent legislation to determine if there should be a contribution. For all other water and sewer projects, a required local match exists.

Senator Donley believed that requiring a local match would give communities a "sense of ownership for projects" and have a greater commitment to the proper maintenance of the projects. He reiterated that having some degree of local contribution is good public policy.

DAN EASTON, Director, Division of Facility Construction and Operations, Department of Environmental Conservation, stated that the Department opposes the bill for three reasons:

- The Department believes that the bill would not generate much of a cost savings. Mr. Easton pointed out that the State has already saved over \$20 million dollars in since FY99.

- The communities already contributed to the projects and the cost of maintenance was also a contribution made. The cost of maintaining the facilities is often extreme. Communities often contribute lands and rights-of-way for the projects.
- The communities understood that a cash contribution was not the way to go. He used the example of Good News Bay. He stated that with a 5 percent match requirement, the requirement would be \$80,000 dollars for the \$1.6 million dollars. He noted that it would save the State \$20,000 and the federal government \$60,000. He pointed out that \$80,000 is 40% of Good News Bay's total operating revenue in any given year.

Mr. Easton stated that the impacts on these communities were disproportionate to what exists in the larger communities.

Co-Chair Donley suggested that the legislation would "free up" additional money for other projects. He asked if the Department was opposed to that.

Mr. Easton pointed out that the problem is that most of the communities are not in the position to provide a cash contribution.

Co-Chair Donley questioned if the Department could categorically say that no communities would be able to contribute one or two percent toward the projects. He wondered if they had any evidence that the communities could not afford the contribution. He asked if they had undertaken an assessment to see if there was possibly some wealth in the communities in order to be able to contribute.

Mr. Easton replied that the Department had done an assessment to determine what the impacts would be if a cash contribution was required.

Co-Chair Donley referred to Mr. Easton's comment regarding maintenance being considered a contribution. He wondered if maintenance had been considered as a contribution for the requirement of local match for Cordova.

Mr. Easton replied it had not. He stated that in Cordova, that the operation of maintenance was not entirely disproportionate to the norm. He pointed out that in smaller communities, the operating and maintenance costs are much higher per person.

Co-Chair Donley commented that it made no sense that the size of the community should have no impact on the merit of whether to

consider maintenance towards a local contribution.

Mr. Easton explained that the communities consider a contribution as the cost of maintenance in excess of what would be considered a normal cost.

Co-Chair Donley argued that the excess cost would be considered the match.

Mr. Easton agreed.

Co-Chair Donley suggested that the Department was exaggerating, as almost no one pays for long-term capital project costs in a single-year assessment on taxpayers.

Mr. Easton commented that he had not exaggerated. He clarified that the \$1.6 million dollars would provide water and sewer to the entire community of Good News Bay.

Co-Chair Donley requested the percentage clarification. He stressed that the maximum match for the major urban areas is 30%.

Mr. Easton corrected himself, pointing out that the local match was five percent. That would mean that the match for Good News Bay would be \$80,000 dollars, which is 40 percent of their annual revenue.

Co-Chair Kelly stressed that the bill was completely permissive and would not be damaging to the communities.

Senator Hoffman interjected that he was strongly opposed to the bill. He pointed out that the bill would affect the smallest communities in Alaska, those with a population from 25 to 600 people. He commented that those communities were the ones most dependent upon subsistence. They have the highest water and sewer costs of anyone in the State. He stressed that rural Alaska is always targeted through the Legislature. He believed that the bill was an "economy of scale" issue.

Co-Chair Kelly reiterated that the bill is permissive. The communities that cannot pay would not be made to pay. The bill would allow the State to examine the communities that can pay more. He claimed that there is dignity in participating in our existence, which the State has robbed rural Alaska of. It is demeaning to have a State government that is structured to take a certain class of people and say that they do not have to pay for anything.

Senator Green MOVED to report SB 184 out of Committee with

individual recommendation and with the zero fiscal note.

Senator Hoffman OBJECTED.

Senator Olson interjected his objection, also. He warned that a bill, which targets citizens or villages and settlements between 25 and 600 persons, creates a "slippery action". He claimed that other legislatures will eventually change the verbiage and then the people will suffer. He indicated that polarization will result through the bill.

Senator Olson understood that the State would take current numbers which would make further burdens on some of the villages. An example is the village of Diomede, which instituted a three percent sales tax last year. They saved \$12,000 dollars in revenue from that tax, and that money has been used for municipal government. If the State takes that money from a village with only 125 people, a critical situation will result. People in rural Alaska, desperately need water and sewer services. He stated that it was inconceivable that the Committee should consider this legislation. He reiterated his opposition to the bill.

Co-Chair Kelly asserted that the bill does not take anything from any communities. The legislation states that the Legislature "may" examine this concern. He did not think that Diomede would fall under the bill.

Senator Olson restated his concerns that the bill eventually will take necessary services such as water and sewer away from small village areas through actions taken with future legislatures.

Co-Chair Kelly strongly disagreed.

Senator Austerman inquired what the mechanism was intended to be used to make the determination of who would be responsible to pay.

Co-Chair Donley replied that it would be through the budget and that it would be a case-by-case assessment. He claimed that the bill would provide flexibility to deal with those that do not have the capability to pay.

Senator Austerman asked if the intent was to come "to the table" and discuss projects within the current 25 percent State match and then make that determination.

Co-Chair Donley responded that was not the intent. He clarified that the State receives a block of money from the federal government and then the State matches that.

Senator Austerman asked how it would be determined which communities pay.

Co-Chair Donley recommended that the agencies would make the recommendations regarding communities that have the ability to pay. He hoped that some communities might volunteer that information.

Senator Austerman asked how it would be determined who had the ability to pay and who did not, other than what the Department suggests.

Co-Chair Donley advised that the Department currently makes that determination in distributing the community matching grants.

Senator Hoffman advised that the community matching grants and the services being discussed are entirely different.

Co-Chair Kelly advised that there was a motion before the Committee. He asked if the objection was maintained.

Senator Hoffman objected. He reiterated that SB 184 was an unfair bill. He noted that the communities, which will suffer the most, are not based on a cash economy but instead are subsistence based.

Senator Olson questioned how the bill's sponsor expected to save the State \$2.7 million dollars.

Co-Chair Kelly explained that it was intended to achieve those savings. He mentioned that he has heard a lot of inflammatory language this year that was scaring the village people and that it was not being appropriately voiced.

Senator Olson interjected that there is valid concern when the State starts to deal with water and sewer concerns directly affecting the public health, and that people need to be scared.

Co-Chair Kelly strongly disagreed with the statements made by Senator Olson.

A roll call was taken on the motion.

IN FAVOR: Senator Leman, Senator Ward, Senator Wilken,
 Senator Green, Co-Chair Donley and Co-Chair Kelly

OPPOSED: Senator Olson, Senator Hoffman and Senator Austerman

The motion PASSED (6 - 3)

SB 184 was MOVED out of Committee with "individual recommendations" and with a fiscal note by Department of Environmental Conservation.

SENATE BILL NO. 185

"An Act relating to the basis for determining eligibility for and the amount of power cost equalization payments; and providing for an effective date."

Co-Chair Donley stated that SB 185 would revise the formula under which Power Cost Equalization (PCE) subsidies are paid, by making it an equitable program, which adjusts the maximum kilowatt-hours eligible for the subsidy to more accurately reflect power usage in PCE communities and at the same time encourages energy conservation.

During the past twenty years, the State of Alaska has funded various programs subsidizing electrical rates in rural areas of the State. The goal of these programs is to provide affordable utility power to rural Alaskans. Rates in some PCE-eligible communities pay, and the program fails to do a good job of encouraging energy conservation.

Senator Donley added that SB 185 corrects the inadequacies and makes the program what its name implies, equal. The legislation changes the manner in which the rates are calculated to make payments more equalized. PCE payments are based on the highest cost per kilowatt-hour (kWh) charged to a community that is not eligible for PCE. A review of sixty-eight community's residential electric rates for FY00 indicates that numerous communities receiving PCE pay less for their power than those that do not receive PCE. Of the sampling's, forty-one communities that receive PCE, twenty-six pay less than individuals in Kodiak for power usage of 500 kWh per month. If the sampling is representative of all communities in the State, almost half of PCE-subsidized customers pay less for their power than customers of the Kodiak Electric Association.

SB 185 encourages energy conservation by lowering the maximum number of subsidized kilowatt-hours per month from 500 to 400. A review of year 2000 usage reveals that the average kilowatt-hours used per month in communities eligible for PCE is 415 kWh. At the current 500 kWh level of subsidy, there is no incentive for these customers to conserve energy. By lowering the maximum to 400 kWh, individuals will still receive a subsidy for all the kWh needed to power their home.

Co-Chair Donley continued, the legislation indirectly encourages everyone with the State to continue to find ways to generate cheaper, more cost-effective power. As the cost for power decreases in non-PCE eligible communities, the power costs for PCE communities will automatically decrease as well. He believed that it would be an equitable way to assist those hardest hit by the cost of power without providing them with special benefits denied to others.

Revising PCE to be more equitable is estimated to reduce required funding by approximately \$9 million dollars, which would eliminate the need for the Governor's FY02 request to appropriate \$7.8 million dollars to pay for PCE subsidies. Additionally, if the entire income of the Power Cost Equalization/Rural Electric Capitalization Fund is not needed to pay the subsidy each year, the fund would grow through interest income, making more income available in future years to help pay future PCE/REC needs.

Senator Hoffman interjected that rural Alaska is already conserving the most because their costs are so high and their consumption rates are some of the lowest in the State. He maintained that the proposed legislation was yet another attempt to get closer to hurting rural Alaskan residents. Senator Hoffman reiterated that rural residents are paying often four times as much as urban Alaskans. He added that the intent of the PCE work was an attempt to make rural Alaskans closer to those living in the urban areas in what they pay for utilities.

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Senator Hoffman continued. He stressed that only 31% percent of the power sold in rural Alaska is eligible for PCE. The bill is an attempt to balance the fiscal gap by targeting rural Alaskans.

Co-Chair Donley replied that there is a lot of Alaska that is rural that does not receive PCE. He recommended that the definition should be the non-PCE communities versus PCE eligible communities. He added that rural versus urban is an inaccurate statement.

Co-Chair Kelly asked the consumption average in Anchorage and Fairbanks.

LARRY MARKLEY, Alaska Rural Electric Cooperative Association (ARECA), Anchorage, responded that it was a little over 700 kWh.

Senator Austerman asked the charge per hour in Anchorage.

Co-Chair Kelly replied that it was about ten cents or a little more per kilowatt-hour.

Mr. Markley corrected that the average in the Anchorage, Fairbanks, and Juneau areas is about twelve cents per kWh.

Co-Chair Donley interjected that at 500 hours, the base declines, as the numbers are based on consumption.

Co-Chair Kelly pointed out that the data was built by using Kodiak as an example.

Co-Chair Donley commented that the Kodiak average was about twenty-two cents per hour.

Senator Austerman commented that was based on an infrastructure built around providing the services. He voiced his hesitation to get involved with the proposed bill as he represents a number of PCE communities around the Kodiak area. Most of those communities start out with a base rate of about forty cents per kWh. Until the rest of Alaska is on a grid system, PCE should exist. In the last couple years, the Legislature has brought down some of the expense associated with the PCE. He reminded members that the endowment process is currently being addressed to handle some of the concerns voiced by the legislation.

Senator Green acknowledged that although the Rail belt does provide an advantage, she has many constituents in the Mat-Su that do not have access to that power.

VERN RALPHER, General Manager, Tlingit and Haida Regional Electrical Authority (THREA), Juneau, voiced concern that this legislation had surfaced again. He noted that his company had provided an analysis, indicating how the legislation will impact the communities. The average residential service is closer to 500 kWh, and would create a 30% increase.

Mr. Ralpher addressed the concept of conservation and the wise use of electricity. He pointed out the amount of lights being used in the Committee room for a daylight meeting.

Co-Chair Kelly announced that SB 185 would be HELD in Committee.

Co-Chair Donley commented that there are a lot of options for the State and that SB 185 presents the fairest option. He stated that it is poor public policy to generically base discriminatory State payments on community size rather than true need. By making

reforms, the State could end up with a better program. He commented on the need to get the cost down in the program so that the endowment is not being drained and making the program self-sufficient would be a positive fiscal outlook for the program.

Senator Wilken suggested that research go back a couple years to see what efforts have been made to avert some of the wealth of the National Petroleum Reserve-Alaska (NPR-A) into the PCE fund as promised.

Senator Austerman agreed that he would like to hear from NPR-A.

Senator Hoffman interjected that there had been dialogue regarding the NPR-A issue on the House side. The intent of the federal legislation regarding the use of the NPR-A funds was specific for use for those communities impacted by developments of the NPR-A.

SB 185 was HELD in Committee. It was reconsidered later in the hearing.

SENATE BILL NO. 148

"An Act relating to remote water storage for fire departments."

DARWIN PETERSON, Staff, Senator John Torgerson, explained that SB 148 would instruct the Department of Natural Resources to construct remote water storage sites for fire protection. The sites would consist of 10,000-gallon underground storage tanks with a pump and a hydrant. The Department will solicit applications for the remote storage tanks from all the organized fire service areas statewide. The Department will rank the applications and based upon appropriations, construct as many as they could afford. The applications would be ranked by the following factors:

- Distance from an adequate water supply;
- Number of buildings to be protected;
- Extent of spruce bark beetle infestation;
- Ability of fire service to provide matching funds, maintain and operate the remote water storage site; and
- Other pertinent factors.

Mr. Peterson discussed the need for remote water storage sites, which is evident in many areas of the State, especially where beetle infested timber greatly increases the risk of catastrophic

wildfire. The legislation would help protect the lives of those people living on the fringe of fire service areas. It would also reduce property loss and possibly lower water rates for the residents.

Senator Leman interjected that the requirement for matching funds leads to a "slippery slope". In Section 2, the language reads "may" require organized matching funds of up to 50%.

Mr. Peterson commented that the intent of that language provides the Department the opportunity to decide who the "more needy" groups would be. The Department would fund the first two sites completely and the third site would be asked to put up some matching funds.

Senator Leman asked if other options have been considered such as tax credits for property owners.

Mr. Peterson responded that option had not yet been taken into consideration.

Senator Green asked why the tanks would be underground.

Mr. Peterson explained that the fire service areas which participated in the drafting of the legislation, submitted a number of options for developing the remote water storage sites. Of all the options proposed, the underground one was the most cost effective.

Senator Green asked if the facility would be a permanent site.

Mr. Peterson replied it would.

Senator Green inquired if it could be a mobile unit.

Mr. Peterson explained that would be a very expensive option. He suggested that if it would alleviate Committee members concern, the language could be changed from saying that the storage "must be" 10,000-gallon underground storage tanks, to "may be".

Senator Green agreed that would be a better option. She suggested that language provided more flexibility.

Senator Olson voiced concern that the tank would only hold 10,000-gallons of water and asked how that amount would contain a vast fire.

Co-Chair Kelly responded that the intention of the legislation was

to address smaller fires.

CAROL CARROLL, Director, Division of Support Services, Department of Natural Resources, indicated that Joe Stam was on-line to comment on that concern.

JOE STAM, [Testified via Teleconference], Fire Program Manager, Division of Forestry, Department of Natural Resources, Anchorage, stated that intent of the bill is to aid fire departments in suppressing structure fires in remote areas of the State. There are a lot of areas that are not served by water systems of any kind. The tanks would be located in proximity of subdivisions and clusters of structures where there is not a water supply. The intent of the underground tank is to be useful all year round. There are a number of these tanks in existence in Alaska in the Mat-Su Valley and in Fairbanks. Those are facilitated by donations of tanks from the railroad, cars which were buried.

Mr. Stam continued, the Department would use those in the Division of Forestry for putting out wild fires, but not as much as the fire departments would use them. The tanks will hold 10,000 to 20,000 gallons of water. The Division has received requests from several fire departments with no water systems, who are interested in obtaining the tanks.

Senator Green asked if the tanks would be used to store water to be placed into fire trucks.

Mr. Stam explained that the tanks would be located on the road net. They would use the underground tanks to fill the off-road vehicles to go to the remote fire areas. The tanks would be dual-purpose.

Senator Ward inquired if there were fire trucks that could move on open terrain, not needing a road.

Mr. Stam responded that a variety of different fire apparatuses are used for different situations.

Senator Ward asked how many gallons of water would a non-wheel vehicle carry.

Mr. Stam replied that the ones that the Division has are 500-gallon tanks. He added that they do contract with the private sector for the majority of that type of equipment use.

Senator Wilken commented that an above ground tank would have the problems of maintenance and thievery. The purpose of having it underground would be to provide an "out of sight, out of mind"

facility.

Co-Chair Kelly moved to adopt a conceptual amendment, Page 2, Line 11, deleting, "capable of storing at least 10,000 gallons of water and a pump, hydrant, and associated piping".

There being no objection, the amendment was ADOPTED.

Co-Chair Kelly stated that the bill would be HELD in committee.

SENATE BILL NO. 185

"An Act relating to the basis for determining eligibility for and the amount of power cost equalization payments; and providing for an effective date."

This bill was held from earlier in the meeting.

ERIC YOULD, Executive Director, Alaska Rural Electric Cooperative Association (ARECA), testified via teleconference from Anchorage, requested that the bill not be passed out of the Committee. He stressed how important the issues of the bill are. He reiterated that this is a major and important piece of legislation. The program has had significant "stream-lining" over the years. It started in 1980 as the Power Cost Assistance Program. He listed various State projects undertaken. At that time, energy was four cents per kWh and at this time it is nine cents per kWh. In rural Alaska, it was forty cents per kWh and today it is still that price. Over the years, the program has changed. In 1985, it was changed to the Power Cost Equalization (PCE) Program, at which time, the formula was significantly changed. In 1993, it was changed again.

Co-Chair Kelly requested that Mr. Yould testify to the specifics of the bill. He commented that the Committee would hear the bill at a later date and more testimony could be taken at that time.

Mr. Yould noted that the specifics of the bill are to set the stage for some of questions. Anchorage and Fairbanks cost is roughly nine cents per kWh and in rural Alaska that cost is roughly forty cents per kWh. Even with PCE, for those that the program reaches, the cost is twenty-five cents per kWh, which on the average, is above the cost of various communities. Some communities were recipients of major funding projects such as the Four Dam Pool.

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MARTIN MOORE testified via teleconference from Emonik and voiced opposition to SB 185. He stated that the bill would reduce the PCE program entitlement and subject older and disabled persons to risk of health and well-being. The legislation does not offer a list of affordable power benefits for the rural areas. He urged that the bill not pass from Committee.

ISIAH TOWARAK testified via teleconference from Towarik, to urge fully funding the PCE program. He suggested a tax credit for the oil companies to help fully fund the program.

GREG MICKELSON testified via teleconference from Craig that SB 185 would drastically affect his customers creating a 28% increase in utility costs. The smaller communities would suffer an even more dramatic increase. He added that none of the customers on Price of Wales Island are paying less than the twelve-cent per kWh rate. Most of them are currently paying around thirteen and one half cents per kWh after PCE. The Island has some of the highest unemployment rates in Southeast Alaska at 22%. He asked that members consider the impact to the economy in that area, as power is a major part of everyone's life.

Co-Chair Kelly commented that the Committee would be checking the end costs to the residential users. That should be a factor in whether to support the bill.

DAVID VOGEL, Alaska Power & Telephone, testified via teleconference from Skagway to voice his concern with the legislation and how it would affect his customers who live on a fixed income. Those people would be taking the "brunt" resulting from the legislation. He noted that he strongly opposed SB 185.

DON MAHON, Regional Vice-President, Alaska Power & Telephone, testified via teleconference from Tok that his company served ten remote communities in Interior Alaska. He noted his concern for the customers living in those communities. Lowering the PCE to 400 per kWh would increase bills on an average of \$24 dollars per month. That additional expense is not available to most of these people. He added that it is important to consider the energy required on the new homes being built in the remote communities. He urged that there be additional hearing on the legislation.

DAVID SOULAK testified via teleconference from Unalakleet in opposition to the legislation. He pointed out that the possible cost to the City of Unalakleet for the year, if the legislation was passed, would be \$24,710 dollars. The increase will deplete any

funds in the City's bank account.

BOB FOOT, Regional Board Member, ARECA, testified via teleconference from Unalakleet, and voiced opposition to the proposed legislation.

RUTH MOTO-HINGSBERGEN testified via teleconference from Unalakleet, that the village pays thirty-eight cents per kWh, which is the average monthly usage for residential customers. She voiced strong opposition to the proposed legislation.

ARNIE SATHER, Alaska Power Company, testified via teleconference and echoed the concerns voiced by the other testifiers. Mr. Sather recommended that the Committee continue to hold hearings on the bill.

STEVE BUCHONT testified via teleconference from Dillingham to advise that SB 185 was narrowly focused for the impact that it would have. He added that the State needs to have a more comprehensive plan to address rate increases. He pointed out that there is expected to be an additional increase in fuel prices this year.

BRENT PETRIE, Project Manager, Alaska Village Electric Cooperative (AVEC), testified via teleconference from Anchorage that AVEC serves fifty-one villages in Western Alaska. The per capita income in those communities is approximately one-third what it is in Anchorage. The medium household income is about fifty percent less than it is in Anchorage. He stressed that there is a need. When the large difference in income is noted given the cost of electricity and other energy forms, the difference becomes even greater.

The average use for the residential customer is a little over 400 per kWh. Ten years ago, it was about 330 per kWh. The increase is due to the fact that now some people are hooked up to water and sewer systems and to keep those running in the winter, they need electric heat traces on the lines coming into their houses. Mr. Petrie added that electric heat has been actively discouraged in all homes and that they are being responsible from a conservation point of view. Fuel costs have increased over the past couple years and amount to over 30% of the operating costs.

Mr. Petrie advised that stability is important at this point in time. Many changes have been made to the program in the last year in cooperation with the Legislature, the utilities and the residents. He recommended that stability be maintained as the Four Dam Pool is being sold and the endowment is being consummated.

DAVID GERMER, Deputy Director, Alaska Energy Authority (AEA), testified via teleconference from Anchorage and voiced concern with the proposed legislation. He stressed that the legislation would have dramatic consequences for rural Alaska. Raising the rate from twelve to twenty cents would result in increased costs to residents in rural Alaska of approximately \$6.9 million dollars.

Mr. Germer pointed out that community facilities make up 26% of total eligible kilowatts for FY00. Raising the base rate would result in an increased cost of an estimated \$2.4 million dollars per year for community facilities alone. Buildings that are not operated for profit will experience a huge impact from the proposed changes.

AEA has major concerns regarding the effect of the bill on rural Alaska as well as urban Alaska. He encouraged members to reconsider the bill and the effects on all Alaskans.

WILL ABBOTT testified via teleconference from Anchorage, recommended that the Committee reconsider the passage of the proposed legislation. He offered to answer any questions of the Committee.

CHUCK DUNGAN testified via teleconference from Unalakleet to voice opposition to the proposed legislation. He commented that unemployment is high and any cost increase to consumers would be a severe burden.

Co-Chair Kelly stated that SB 185 would be HELD in Committee for further consideration.

ADJOURNMENT

Co-Chair Pete Kelly adjourned the meeting at 11:15 AM.