

ALASKA STATE LEGISLATURE  
**SENATE RESOURCES COMMITTEE**

May 3, 2001  
6:25 pm

**MEMBERS PRESENT**

Senator John Torgerson, Chair  
Senator Drue Pearce, Vice Chair  
Senator Pete Kelly  
Senator Robin Taylor  
Senator Kim Elton  
Senator Georgianna Lincoln

**MEMBERS ABSENT**

Senator Rick Halford

**COMMITTEE CALENDAR**

CS FOR HOUSE BILL NO. 244(FIN)

"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 SCSHB 244 (RES) OUT OF COMMITTEE

HOUSE BILL NO. 108

"An Act relating to the accounting for and appropriation of fees for recording and related services by the Department of Natural Resources; and providing for an effective date."

MOVED HB 108 OUT OF COMMITTEE

HOUSE BILL NO. 236

"An Act relating to the contracting and financing authority of the Alaska Industrial Development and Export Authority; authorizing the authority to issue bonds in a principal amount not to exceed \$76,000,000 to finance the acquisition, design, construction, inventory, and operation of natural gas, propane air, or manufactured gas public utility facilities; and providing for an effective date."

MOVED SCSHB 236 (RES) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

HB 236 - See Resources minutes dated 4/30/01.

HB 108 - No previous action to consider.

HB 244 - See Resources minutes dated 4/30/01.

**WITNESS REGISTER**

Ms. Valerie Mundt  
P.O. Box 149  
McKinley AK 99785

**POSITION STATEMENT:** Opposed HB 244.

Mayor John Gonzalez  
Denali Borough

**POSITION STATEMENT:** Supported HB 244.

Mr. Nico Bus, Director  
Division of Administrative Services  
Department of Natural Resources  
400 Willoughby Ave.  
Juneau, AK 99801-1724

**POSITION STATEMENT:** Supported HB 244.

Mr. Bob Poe, Executive Director  
Alaska Industrial Development and Export Authority (AIDEA)  
Department of Community and Economic Development  
813 W. Northern Lights Ave.  
Anchorage AK 99503

**POSITION STATEMENT:** Commented on HB 236.

Mr. Randy Ruaro  
Staff to Representative Williams  
State Capitol Bldg.  
Juneau AK 99811

**POSITION STATEMENT:** Supported original version of HB 236.

**ACTION NARRATIVE**

**TAPE 01-37, SIDE A**

Number 001  
#HB244

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

**CHAIRMAN JOHN TORGERSON** called the Senate Resources Committee

meeting to order at 6:25 pm and announced HB 244 to be up for consideration.

SENATOR TAYLOR moved to adopt the Cook 5/1/01 committee substitute to HB 244. There were no objections and it was so ordered.

Staff to Representative Dyson said the sponsor supported the committee substitute.

MS. VALERIE MUNDT, Anchorage, said she has businesses in Kantishna and Fairbanks. She opposed HB 244 because it eliminates the public process by preselecting engineering and contracting firms to do the work. There is no EIS and public hearings in Denali or anywhere north of the park on whether there should be a railroad corridor or a transportation corridor. She said:

Nenana has long been in favor of a northern one-way loop road through the Park that has a regulated amount of traffic for viewing. This bill eliminates all animal viewing from the north side. The train doesn't stop to see the bears, so it further reduces access of the public and limits the experience. Last, but not least, the Greater Fairbanks Chamber of Commerce has voted in favor of a northern access corridor. On many occasions, they were specifically asked to put forward a resolution on HB 244, but because of objections on the floor, it was returned to the Government Affairs Committee, which has not acted on it, which is a voice in itself. Finally, HB 244 strains the already existing businesses in Kantishna, of which there are five. The Park Service has taken the stand that inholders have one access to their inholdings and the Park Service gets to decide what it is. All those companies that have further limited access to a train that they don't own and control. I thank you for listening to my comments.

CHAIRMAN TORGERSON responded that there is \$1.8 million for the planning, EIS and public hearings for this issue that Senator Murkowski put in the budget. There's \$350,000 in the capital budget to match that for the same thing.

MAYOR JOHN GONZALES, Denali Borough, said they have talked for a long time about northern access to Kantishna. Whenever there's a way to do something about it, it gets blocked. The Assembly has supported a northern access by a railroad because it is the wise thing to do. They wrote a resolution supporting the efforts of Kantishna Holdings to try and build an access into Wonder Lake via a railroad. "If we can build a project that will allow us to lease land to a group that is willing to develop something, we believe

that as long as it's safely done and the borough agreed with that, that we should go forth." He said they believe that the older citizens who cannot backpack or kayak into the wilderness should not be denied the beauty of the park.

SENATOR PEARCE asked why this was a railroad corridor and not a transportation corridor.

MAYOR GONZALES answered that the railroad come to them and are willing to put up their dollars to do the project. No one else has done that.

SENATOR PEARCE asked him if the borough was going to make sure an EIS or an EA was done on this project.

MAYOR GONZALES answered that the borough would make sure the EIS is done.

SENATOR PEARCE asked what confidence they have that the National Park Service won't close road access once there is another right-of-way, even if it's not a usable right-of-way in place.

MAYOR GONZALES answered that they don't have any assurance.

SENATOR TAYLOR moved to pass SCSHB 244 (RES) from committee with individual recommendations. There were no objections and it was so ordered.

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#HB108

**HB 108-DEPT NATURAL RESOURCES RECORDING FEES**

CHAIRMAN TORGERSON announced HB 108 to be up for consideration.

MR. NICO BUS, Department of Natural Resources, supported HB 108. He felt that the Recorder's Office would be a good program to be funded by a receipt supported service because we have 14 offices around the state and under the current funding law, they have been reducing them and their staff, because they are competing with other DNR programs. Annual revenues are about \$4 million and they have about \$2.4 million for expenditure authorizations. There are other expenditures for the recorders office that are tucked in different state departments, such as leasing. Their annual capital budget for archival and equipment is general funded and it would be good to use the receipt system. He said their customers from various industries support this proposal - the Credit Union League, Miners Association, the Association of Realtors, Title Association and the Bankers Association.

SENATOR TAYLOR moved to pass HB 108 from committee with individual

recommendations. There were no objections and it was so ordered.  
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#HB236

**HB 236-AIDEA BONDS FOR GAS PUBLIC UTILITIES**

CHAIRMAN TORGERSON announced HB 236 to be up for consideration. He said he wanted to see due diligence done on the report before he could support this bill, but he won't block it, if the committee wanted to move it forward.

COMMISSIONER BOB POE, Executive Director, Alaska Industrial Development and Export Authority (AIDEA), said that they have done development projects under both scenarios, where the legislature has approved bonding authorization (not an appropriation) before due diligence is done and after due diligence was done. In fact, we have \$328 million of bonding authorizations on the books today that have not gone to projects."

He thought it was interesting that HB 244 repeals provisions relating to a grant of right-of-way of land for a railroad utility corridor to AIDEA. There was \$28 million in bonding authority for that project, but it didn't prove to be financially feasible, so AIDEA did not move ahead with the project. He explained:

In this case, Alaska Interstate Gas came to us mid session in a particularly busy time for us with a few large projects we are trying to get wrapped up and said, "We think we have equity investors. We think we have a good project for gas to southeast Alaska. We have been monitoring the project over the last several months or maybe a year. They said our equity [indisc.] will be ready to move in the short term in the summer or fall, if you go forward with it. But the equity partner, from our understanding, didn't want to dive into the project and didn't know there was a good chance of getting the bonding authority. So, we agreed that we would work with Interstate Gas, but that they would try and move the bonding authority through. We don't know if this project makes financial sense. I'm sure you and I could sit down and identify six or seven weaknesses right off the bat that would need to be proven true. It doesn't mean they can't. It doesn't mean that we don't see a good opportunity here, but we can't attest to the financial feasibility of this. What we can attest to is that AIDEA does do its job and the faith that the legislature has frequently given AIDEA, which is to say, "We trust you to do your job," is proven out in those \$328 million worth

of projects that we haven't done, because they didn't prove to be financially feasible.

I'll wrap up by saying there are seven different qualifications that a development project needs to have before AIDEA goes to the step of making a development project. I can swear to you that AIDEA will do all of those and only when this project is financially feasible and has the support of the communities involved would we do the project.

CHAIRMAN TORGERSON asked, "Why don't you lend them \$10 million to get them started?"

MR. POE answered, "We don't do a project that way. Typically, the way we do it..."

CHAIRMAN TORGERSON said, "I know about typically, but that doesn't stop you from doing it."

MR. POE answered, "Fiscal prudence would. There is no reason to put \$10 million into a project that you don't know is fiscally feasible. The way we tend to do it is to enter into a reimbursable agreement with the sponsors of a project where they reimburse AIDEA for the cost of doing the due diligence..."

Number 340

SENATOR TAYLOR asked how long it would take.

MR. POE answered that it could take several months. It depends on the proponents of the project and how well they have done their work.

SENATOR ELTON asked if it would take another act of the legislature to approve the final issuance of the bonds.

MR. POE answered that's not correct. "Once you give us bonding authority, you leave it up to the AIDEA Board to decide." He said he would be happy to keep the legislature apprised of the situation.

MR. RANDY RUARO, Staff to Representative Williams, said, "It's the sponsor's position that the original version of the bill be passed."

SENATOR TAYLOR moved to adopt the Cook 5/3/01 committee substitute to HB 236.

SENATOR ELTON objected for an explanation of the changes.

CHAIRMAN TORGERSON explained that it says that the applicant bears the cost.

SENATOR ELTON asked if there would be the additional step of coming back to the legislature for the authority to issue bonds if the due diligence got done.

CHAIRMAN TORGERSON said that was correct.

SENATOR ELTON said one of his concerns was that, "If we take this out from under the wing of AIDEA, what we're going to do is complicating passage this session..." The House would have to concur and they voted unanimously for their version. He continued to prefer the original version.

CHAIRMAN TORGERSON called for the roll. SENATORS TAYLOR, PEARCE, TORGERSON voted yeah; SENATORS LINCOLN AND ELTON voted nay; and the committee substitute was adopted by 3 to 2.

SENATOR TAYLOR moved to pass SCS HB 236 (RES) from committee with individual recommendations. There were no objections and it was so ordered.

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SENATOR PEARCE moved to forward the nominations for the Board of Fisheries, Dr. John White and Mr. Russell Nelson, and Commissioner of the Department of Natural Resources, Pat Pourchot, to the joint session. There were no objections and it was so ordered.

CHAIRMAN TORGERSON adjourned the meeting at 6:55 pm.